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PART I.

EASTERN DEPARTMENT:

SECRET SERIES.

36

January to March 1911.

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PART I.

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CONFIDENTIAL.

Eastern Department: Secret Series.

Part I.

1 No. 1

Sir G. Buchanan to Sir Edward Grey.—(Received January 1.)

(No. 1.)
(Telegraphic.) P. *St. Petersburgh, January 1, 1911*

SCHEME for a railway across Persia. My despatch No. 498 of the 26th December last.

The Russian consul general at Calcutta has informed M. Sazonow that the Government of India will raise no objections to the trans-Persian railway scheme, and M. Sazonow has expressed to me the great satisfaction which this intelligence has given him.

[illegible] in confidence by M. Sazonow that at the recent meeting of the [illegible] Ministers held to discuss this question, the only Minister who did not speak [illegible] was the Minister of Commerce. He put forward the [illegible] merchants of Moscow against the scheme, but the Ministers [illegible] refuted them successfully. The whole scheme is now to be submitted to a representative committee, which will include M. Sazonow, and his Excellency expects that in about a month's time he will be in a position to communicate to us the decision of the Russian Government.

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[48] No. 2

Sir G. Buchanan to Sir Edward Grey.—(Received January 2, 1911.)

No. 496. Secret.

St. Petersburgh, December 26, 1910.

I HAVE in another despatch recorded the bitter language used by the "Novoe Vremya" in speaking of Austria in connection with the Wassitch trial, which has just been concluded at Belgrade.

[illegible] language held to me [illegible] Balkan crisis of 1908, their feeling of rancour against Austria, and more especially against Count Aehrenthal, shows no sign of abatement. M. Isvolsky has doubtless handed down to his successor a political legacy of profound distrust and dislike of that statesman, and this fact, coupled with the knowledge that the Emperor shares this personal resentment, is likely to prevent M. Sazonow attempting to bring about an Austro-Russian rapprochement so long as the foreign policy of the Dual Monarchy is controlled by Count Aehrenthal. Were the latter to disappear from [illegible] Russia's wounded vanity.

Germany, on the other hand, has also reasons of her own for wishing to see

more pliable and subservient Minister installed at the Ballplatz, and from the Chancellor's recent declarations on German policy in the Near East and from the violent articles published in the Russian press, it would almost seem that the two Governments had agreed to open a campaign against his Excellency for the purpose of discrediting him and encompassing his fall. Should these efforts be crowned with success, the way would be prepared for supplementing the Russo-German agreement respecting Persia and the Bagdad Railway by some kind of an understanding between Austria and Russia with regard to the Balkans. Were this latter to take the form which M. Isvolsky desired to give to the abortive conversations which took pl between St. Petersburgh and Vienna last spring, and were the other Powers consequently to be invited to subscribe to its provisions, it [illegible] instrument for the maintenance of peace in the Near East. Were it, however, as [illegible] impossible, to be in the nature of a secret agreement between the two Cabinets, of which Germany, as Austria's ally, would alone have cognisance, it might seriously affect the value of the Triple *Entente* as a counterpoise to Austro-German ascendancy in Europe.

At the present moment both the Emperor and his Government are, I believe, sincerely anxious to adhere loyally to their alliance with France and to their understanding with England, but the course which the present negotiations with Germany have taken leads me to fear that when it is a question of securing [illegible] particular or immediate interest Russia may drift dangerously [illegible]. Nor must it be forgotten that the reactionary party in Russia inclines much more towards Germany than towards England, while there are not wanting those who are in [illegible] of being on the side of the big battalions.

M. Sazonow's desire to prevent Germany poaching in the Russian preserves in North Persia accounts for the haste with which he has made proposals respecting Persia and the Bagdad Railway without consulting our views or wishes. He was, it is [illegible] not bound to do so by the terms of the Anglo-Russian agreement, but he has [illegible] less laid himself open to the reproach of not having observed the spirit of the [illegible] understanding, according to which no arrangement was to be concluded with [illegible] any respecting the Bagdad Railway by any one of the parties to the Triple *Entente* until the other two had also come to terms with her. The temptation to secure favourable conditions with regard to North Persia was too strong for him, and he either drafted or accepted the text of the 1st article of the draft agreement without reflecting [illegible] the difficulties which it might occasion in the future. As an instance of his [illegible] careless habit of doing business I may mention that, though I informed him [illegible] before my audience with the Emperor of the general purport of the language which I proposed to hold to His Majesty, he never told me till afterwards that he had not yet submitted the draft agreement to His Majesty. I was naturally, therefore, under the impression that such an important State document could not have been submitted to the German Government without the Emperor's express sanction. Fortunately, however, I did not make any reference to it in the course of my conversation with His Majesty but had I unwittingly done so it would have been interesting to have heard what the [illegible] would have said on learning that I was better acquainted than himself with [illegible] details of the secret negotiations which his Foreign Minister was conducting with [illegible].

I have, &c.

GEORGE W. BUCHANAN.

49

Sir G. Buchanan to Sir Edward Grey.—(Received January 2, 1911.)

(No. 497. Secret.)

St. Petersburgh, December 26, 1910.

Sir,

IN the course of a conversation which I had with the Minister for Foreign Affairs this afternoon, I reverted to the subject of the draft agreement which he had submitted to the German Government respecting Persia and the Bagdad Railway. I said that his Excellency would no doubt already have learnt from Count Benckendorff that its first article, if read by anyone unacquainted with the explanations which he had given, could only in your opinion imply that Russia was consenting to abandon all opposition to the realisation of the whole Bagdad Railway project, and that the limited construction which he was putting on it gave a quite new interpretation to the recognised meaning of the term "Bagdad Railway." If, moreover, his Excellency's view as to the meaning of article 1 was correct, it was difficult to see what advantages Germany [illegible] the draft agreement in return for the concessions which she was [illegible] in North Persia. I also repeated to M. Sazonow what you, Sir, had [illegible] off—that, should his Majesty's Government ever find that a [illegible] arrangement could be made with Germany respecting the Gulf section, [illegible] and France had been able to make such [illegible] as suited their respective interests, and that, although [illegible] might proceed separately, no settlement ought to be arrived at until all three Governments were satisfied.

M. Sazonow did not take up this last point except to explain that he had been charged to telegraph to Count Benckendorff, instructing him to correct the statement which his Excellency had made to you as to the agreement respecting the linking up of the two railway systems being contingent on the conclusion by His Majesty's Government of a satisfactory understanding with Germany respecting the Gulf section. As regarded, however, the wording of article 1, he assured me that it had never struck him that it could bear any other interpretation than that which he had intended [illegible] gave to it, and that, had he not thought so, he would certainly have worded it differently. On my enquiring whether he proposed to obtain from the German Government an assurance in writing that the right to construct the line from Sadijeh to Khanikin should be ceded to Russia in the event of Great Britain obtaining the control over the Gulf section, M. Sazonow said that he had no such intention. During [illegible] had taken place at Berlin the two questions of the Bagdad [illegible] by which he meant the railway up to Bagdad—and the whole Bagdad [illegible] had been treated separately. Russia had engaged not to oppose the realisation of the railway up to Bagdad, and had consented to the linking up of this railway with the future North Persian railway system by a line running from Sadijeh to Khanikin, because she was powerless to prevent the realisation of either of these two schemes. Before the Potsdam interview the relations between the two Governments had been very strained, and he had lived in daily dread of receiving the news that Germany had obtained from the Persian Government the concession for the Khanikin Tehran line. The counter-concessions which he had extracted from Germany were of the greatest importance to Russia, while the engagements which the latter had taken would be a moral satisfaction to German public opinion, and would give German trade an access to the Persian markets. Great Britain had nothing [illegible] to fear from the terms of the first article. The position of the Russian Government with regard to any lines running from Bagdad either to the Gulf or to the Mediterranean would be exactly the same as it was before that article had been drafted. As he had told me already, he did not for one moment believe that Germany could ever construct a line to the Gulf without our assistance, but if the worst came to the worst, and Russia had to give us her support, the only result would be a possible "row" between [illegible].

I observed that even in my own small experience I had seen cases where considerable complications had ensued in consequence of a treaty being so loosely worded that either party to it could interpret it in the sense most favourable to its interests. I understood from what he had told me at our first interview that he expected that the German Government would not accept the draft agreement as it stood. If, therefore, they had the right to introduce amendments into it, I could not see why the Russian Government was debarred from altering the text of the first article so as to leave no doubt as to its meaning, more especially as his Excellency had already clearly explained to them what was meant by the term "Bagdad Railway." M. Sazonow first pretended that it was now too late to do this, but on my pressing the [illegible] on in our conversation his Excellency promised to see whether he could [illegible] "jusqu'à" inserted before Bagdad. He did not, however, take any positive engagement to this effect, and the fulfilment of his promise will no doubt depend on the [illegible] may be accorded to such a suggestion at Berlin.

[illegible] Excellency has so far received no communication from the German Government on the subject of the draft agreement.

I have, &c.

GEORGE W. BUCHANAN.

No. 4.

G. Buchanan to Sir Edward Grey.—(Received January [illegible])

(No. 498.)

Sir, *St. Petersburgh, December 26, 1910.*

ON my entering M. Sazonow's reception-room this afternoon M. Tamirazeff was just leaving it, and his Excellency informed me that he had come to report to him the results of his visit to London with regard to the trans-Persian railway scheme.

M. Tamirazeff had, M. Sazonow said, been very well satisfied with the conversations which he had with various leading politicians and financiers. He had gathered, however, that it was desired in England that the company should be a purely Anglo-Russian one, and that the projected railway should not pass through Tehran, for fear lest the Bagdad Railway should eventually be linked with it when the Sadjed Khanikin and the Khanikin Tehran lines had been built. As regarded the first of those two points, M. Sazonow remarked that it would, he thought, be almost impossible to prevent the participation of the French in the enterprise, and that it would be very difficult to obtain the necessary concession from the Persian Government were a proposal to be put forward that the British and Russian Governments should have the control of the railway in their respective spheres of influence in Persia. The Persian Government would at once suspect that the two Governments were planning a sort of *condominium* in Persia, and would cite the case of Manchuria, where the railway was controlled by Russia in the north and by Japan in the south.

I told his Excellency that I had no official information as to the views of His Majesty's Government with regard to the details of the scheme, but I repeated to him the language which you had held to Count Benckendorff, as reported in your despatch No. [illegible] possible danger of its serving as a means of transport for Turkish troops to the Indian border.

M. Sazonow replied that he quite understood the reasons which might lead public opinion in India to view the project with an unfavourable eye, but that he [illegible] that there were any possible grounds for fearing the second contingency [illegible] you had drawn attention to. Even when the Sadjeh Khanikin and the Khanikin Tehran railways were built, it would be impossible for the Turks to use the latter line for such a purpose, as it would be virtually under Russian control, while an international railway like the trans-Persian one would be equally closed to them. If, however, His Majesty's Government desired, for other strategical or economical reasons, that the railway should not touch Tehran, it would be always possible to arrange that it should run to the north of that town, though this, again, might lead to difficulties with the Persian Government, who would naturally wish that the railway [illegible] tral. But in whatever way this question might be settled, it was, in his opinion, essential that the railway should be built with the least possible delay, as, were it once [illegible] order, it was quite possible that the Sadjeh Khanikin Tehran lines might [illegible]

On my observing that there seemed to be considerable opposition to the project in certain quarters in Russia, M. Sazonow said that this was quite true. The Moscow merchants wished to keep the trade in North Persia in their own hands, and were [illegible] petition, but owing to the dues imposed on goods [illegible] the Caucasus, German trade with Persia by this route would always be heavily handicapped. Germany had made repeated representations [illegible] these dues, but the Russian Government had no intention of making [illegible] with regard to them. They would therefore continue to be enforced on all goods destined for the Persian market, but not on those passing in transit to India. His Excellency admitted, however, that owing to the existence of these dues the Germans would naturally endeavour to introduce their goods into Persia by way of Bagdad, and this fact somewhat weakens his argument that, were the trans-Persian railway to be constructed without delay, the Germans might have to renounce the idea of linking the Bagdad Railway with the North Persian railway by [illegible]

I have, &c.

GEORGE W. BUCHANAN.

P.S.—The Minister of Finance, whom I have seen since writing the above, tells me that the trans-Persian railway scheme is to come before the Council of Ministers this week. His Excellency expressed himself strongly [illegible] slightingly of the opposition [illegible]

G. W. B.

21]

Mr. Marling to Sir Edward Grey.—(Received January 2, 1911.)

(No. 9.)

Sir, *Constantinople, December 28, 1910.*

I HAVE the honour to forward herewith a despatch from the military attaché to this embassy, reporting a conversation with Herr Kautz regarding the alteration of the *tracé* of the Bagdad Railway line so as to pass through Aleppo.

I have, &c.

CHARLES M. MARLING.

Enclosure in No. 5.

Major Tyrrell to Mr. Marling.

(No. 74.)

Sir, *Constantinople, [illegible] 1910.*

I HAVE the honour to inform you that I had a conversation to-day with Herr Kautz, the sub-director of the Bagdad Railway Company. He confirmed the news of a new *tracé* viâ Aleppo, the intention now being to make a sort of V to bring in that town, thereby missing out Tel Habesh, but rejoining the original *tracé* east of that as soon as possible. He considers it a foolish procedure, and of no advantage to anybody, as the inhabitants of Aleppo would have been just as well off if connected to the main line by a branch to Tel Habesh as was intended. But he said that the company had reluctantly yielded to pressure exercised through the Government by the clamours of the people of Aleppo, who desired to be on the main line.

The station will be outside the town, and somewhere to the north of it.

He further said that no alteration has recently been made in the *tracé* about Adana, and that the line will join the Mersina-Tarsus line at Yenije, between which places and Adana the trains of the Bagdad Railway will run over the existing Mersina-Tarsus-Adana line.

I have, &c.

G. E. TYRRELL,
Military Attaché.

45966 No. 6.

India Office to Foreign Office.—(Received January 3.)

A PARAPHRASE of a telegram to the Viceroy, dated the 16th December, 1910, of which a decypher was sent to the Foreign Office on the 19th December, 1910, is enclosed, with the compliments of the Under-Secretary of State.

India Office, January 2, 1911.

Enclosure in No. 6

The Earl of Crewe to Government of India.

(Telegraphic.) P. *India Office, December 16, 1910*

RAILWAY across Persia. Please refer to my despatch dated the 4th ultimo. Russian Government are desirous that there should be no unnecessary delay in discussion of the subject. Please let me have an early reply by mail, giving full expression of Government of India's views.

1623

Cartwright to Sir Edward Grey.—(Received January 4.)

Vienna, January 4, 1911

WANY and Russia received information from a most confidential source to the following

A short time before the Potsdam meeting Count Aehrenthal was notified by the German Government of the principal points to be discussed with M. Sazonow at the Allusion was made at the close of that discussion to the affairs of the and the general belief here at the Ballplatz (according to my informant) is Herr von Kiderlen-Waechter, while reassuring M. Sazonow in regard to the al intentions of Austria-Hungary in the Balkans, also declared that, if (as w unprobable) the latter Power should show a wish to disturb the *status quo* in the Near East, she would be held back by Germany.

The above is most confidential.

636] No. 8.

Sir H. Babington Smith to Sir A. Nicolson.—(Received January 6, 1911.)

Dear Sir Arthur, *Constantinople, December 30, 1910*

I HAVE to thank you for your letter of the 16th December, in which you told me that M. Pichon is being reminded of the suggestion that proposals for co-o should now come from the French side, and that Sir Edward Grey does not now deprecate our taking such independent action as our interests may req

We readily comply with his wish that we should keep the door open for any French proposals; but so far there are no indications that they wish to make any M. Revoil arrived here on the 20th December. We exchanged calls, and I had a fairly long conversation with him.

In the course of the conversation he mentioned the subject of the loan. I said that I did not think that the result could be regarded as satisfactory by any of the parties concerned. He admitted this to some extent, but said it was, in his opinion, not a bad thing that the Germans should have their share in bearing the burden o Turkish finance. I replied that they were already largely interested, and that there was no risk of a difference on their part to Turkey's future. M. Revoil then said that the present operation would provide for Turkish needs till the end of 1911, but probably not for any longer period. He was optimistic as regards the financial future of Turkey in general.

I expressed my regret at the breakdown of the negotiations for fusion. M. Revoil said that he thought there had been some misunderstanding. The London committee had expected us to make further proposals, and we had apparently waited for fresh proposals from them. I said that, even if there had been some slight misunderstanding as regards procedure, that did not alter the main fact, viz., that we found them prepared to contemplate absorption, but not in the least inclined to anything in the of wishing to reopen the matter.

I regretted to find M. Bompard under the impression that we had on "une concurrence déloyale" against the Ottoman Bank. I said that I to remove this impression from M. Bompard's mind, and had assured him that our competition with the Ottoman Bank was such a fair competition as

ted between banks working in the same place, and was not different in character from the competition which existed between all banks here. M. Revoil said that he thought the impression had probably been created by what he might describe d causes, viz., that friends of the National Bank in the Ministry and where had wished to use the National Bank as a weapon against the Ottoman Bank. He added that, without suggesting anything in the nature of a coalition s, he thought that they had a certain solidarity of interest in their He expressed the hope that the relations between the personally were concerned, would be excellent—a wish, which e, I reciprocat

will see from this summary of our conversation, that M. Revoil's tone wa but that he did not make any suggestion for settling the future relations of the banks. I have heard a report, which I give for what it is worth, that the idea of the Ottoman Bank is to arrange for a large loan which will carry on Turkish fina for more than one year, and in which Paris, Berlin, and London would take part. You will remember the suggestion of a larger loan was said to have been made by the Ottoman Bank at the time when I was in Paris. There is nothing improbable in the I have had no confirmation of it.

It is clearly necessary to arrive at a decision soon about the future of the bank the present position of uncertainty is most inconvenient. Cassel has suggested that I should come to London to take part in the final discussions, and I propose to arrive on or about the 9th January.

In order to have all the materials for a decision, I am now on leave trying to obtain from the Government here a clear indication as to their attitude towards the bank of the prospects which they can hold out of effective support from the Government the future. I saw the Grand Vizier yesterday, and I enclose a memorandum of our conversation. As you will see, he did not go beyond expressions of general good-will and assurances that the field was open as regards enterprises of every kind. I shall Djavid Bey to-morrow, and I pr him more closely as to whether any promise can be given of current Government business.

Yours sincerely,

H. BABINGTON SMITH.

Enclosure in No. 8.

Memorandum of Interview with Hakki Pasha, Grand Vizier, on December 29, 1910.

I INFORMED Hakki Pasha that I was leaving for London in a few days, and that it would be necessary to arrive at a decision regarding the future of the National Bank. As he was aware, recent events had raised grave doubts as to whether the bank could, with advantage, continue its operations. The decision of this question would depend, in great measure, upon the prospect of obtaining support from the Government. The bank would never have be Ottoman Government and the attitude of the British Government had given it expectation of support from both.

Hakki Pasha said that in England there appeared to be a mistaken idea that, because a concession had been given for the Bagdad Railway, the ground was entirely and there was no room for any other enterprises in Turkey. This, he said, delo mistake. The Bagdad Railway was an existing concession. If it were again, it would very likely be arranged in a different fashion, but anyhow, it was, and it could not be revoked. But the Turkish Empire was large, and there was room for very many other enterprises, which were open not only to German capital, but to British capital; and British capital would be heartily welcomed.

I said that I did not think that this erroneous view was held by anyone who was well informed. It was undoubtedly true that the Bagdad question had assumed great importance in the relations between England, Turkey, and Germany, both in itself and also in relation to the position in Mesopotamia and the Persian Gulf generally. If the Bagdad question could be settled in a satisfactory manner, I was convinced that it would have an admirable effect on the relations of the three countries.

Hakki Pasha said that the question of Koweit was at the root of the feeling about British action in that part of the world. On this subject he spok strongly. He said that he regarded it as beyond doubt that British action in relation to Koweit had been unjust. Under British protection, although there was not a

protectorate in the technical sense of the word, Koweit was the centre of [illegible] contraband arms traffic, and a source of continual conflict with its neighbours. So long as this anomalous state of affairs existed, it was impossible to restore peace and order in that part of the world. Koweit was like a thorn stuck in the side of Turkey and it was British action there, more than anywhere else, that had created suspicion of British aims in Mesopotamia.

I said that I was not acquainted with the details of the question, but whatever the rights or wrongs of the matter his Highness knew perfectly well that British action regarding Koweit was not directed against Turkey, but against the possibility of Koweit falling into other hands. The Grand Vizier said that he quite realised this, but that, practically, the action taken by way of defence against [illegible] operated as against Turkey. It was not in any way Turkey's interest or [illegible] permit any other Power to establish itself there. Even under the old régime, Abdul Hamid had not permitted the Germans to acquire a coaling station in the Red Sea. The new régime would be even more strongly opposed to any such acquisition. If there were any doubt as to this, Turkey would be willing to take formal engagements as to the use of Koweit as a naval station. He said that in his opinion, the matter [illegible] to be capable of settlement, if there was good-will on both sides, but he complained that he had been unable to obtain a frank and full discussion [illegible] the first condition of an understanding.

[illegible] one in which I was entitled to express an opinion, but that I saw, with great regret, the extreme sensitiveness of Turkish opinion regards the most innocent and legitimate activities of British shipping and commerce in the Gulf. I referred to a recent article by Ismail Hakki Babanzade in which the presence of British shipping at Bassorah, and the extent of British trade there were treated as matters of offence, and as indications of sinister intentions, whereas it was clearly essential to the prosperity of the country to welcome all the shipping and trade that would come, whatever the nationality.

Hakki Pasha replied that articles in the press must not be taken too seriously. Ismail Hakki Babanzade had just returned from Bagdad and Bassorah, and had produced more impression on him than anything else was likely to do.

The Grand Vizier then returned to the question of the Bagdad Railway. He said it must be allowed to complete the line to Bagdad, but that beyond Bagdad it was necessary to find some arrangement which would satisfy England. What precise solution was to be preferred he could not say. The Germans had certain droits acquis, and clearly any arrangement must be a matter for negotiation, and it was for the interests concerned to formulate proposals. The Turkish Government would be very anxious to arrive at a settlement, and would be prepared to bring pressure on the Germans with this object. One solution would be to make the line south of Bagdad an alternative one; another solution would be that it should be a Turkish Government line, a suitable arrangement being made with the interests concerned for providing the capital.

As regards the position of Turkey generally, he said emphatically that, in his view, it was most undesirable to give any one Power an exclusive or preponderating influence in Turkish affairs. He wished to remain on good terms with all the world, and the interests of Turkey lay in securing the assistance of all the Powers equally for her development.

I then spoke again of the position of the bank. I said that so far the bank had received no practical evidence of the Government's desire to support it. No Government accounts had been given to us, and the only semi-official account we had was that of the "Commission de la Dette." The Constantinople loan had only been arranged after competition with other banks, and after a struggle lasting over several months. I asked whether he could give me any assurances of practical support in the future, which I could lay before our friends in London. Hakki Pasha said that, as regards Government accounts, their hands were tied to a very considerable extent by the terms of the concession of the Ottoman Bank. The Constantinople municipal loan had produced profit sufficient to cover the expenses of the bank for one year at any rate. If the bank had been able to conclude the loan recently under discussion, the profits would have provided for the bank for two or three years at least. Unfortunately, this had been prevented by the action of the British Government, which, he said, speaking quite academically, he could only describe as a blunder. If the British Government did not interpose any bar in future, the National Bank would be able to take part in Government loans, either in co-operation with the Ottoman Bank, or in competition with it. Apart from that, he repeated that the whole of Turkey was open [illegible] foreign enterprise, and that foreign capital would be welcomed. If British capital would come to take part in the development of the country, there would be a profitable field for the bank's energies. He regretted that British capital had taken so little interest in Turkey in recent years, and thought that both the press and commercial circles were not well informed. He referred in this connection to the Mining Law, in the amendment of which the British Government had taken a great interest. The law had been amended, but in the two years which had elapsed since then there had not, so far as he was aware, been a single British application for a [illegible]

I replied that British capital had had very good reasons for avoiding the country under the old régime, and in order to persuade it to come here now it was necessary to offer adequate inducements and to create the conditions necessary for success. In the case of mines, for instance, the absence of roads and railways made all mines, except the richest, unremunerative. This accounted for the absence of applicants. As regards works of public utility, we found, unfortunately, a certain want of practical sense in the Public Works Department. With the object of securing advantages to the State, concessions were hedged round with impossible conditions. It would be to the real interest of the Government to grant the first concessions on terms which would make them thoroughly remunerative, whereas the conditions now laid down were such that there could not be a large profit, and that there might very likely be no profit at all.

Hakki Pasha admitted that there was truth in what I said, but added that, in his opinion, this difficulty would disappear in time. At the outset of a parliamentary régime there was a tendency to criticise everything. In the endeavour to avert such criticism, the conditions had, perhaps, been drawn too tightly. Experience would remedy these defects.

I asked the Grand Vizier whether they proposed to approve the Bagdad municipal loan. He said that he had been somewhat disappointed as regards the administrative capacities of Nazim Pasha, and that they had doubted whether the money would be satisfactorily spent, if it were granted. He thought, however, that they would come to the decision to support Nazim Pasha still, and in that case they would approve the loan. I represented that it was very desirable to decide the matter as soon as possible, since my letter to Nazim Pasha, resuming our liberty of action in the matter, had probably reached him, or would reach him in a day or two. I added that it might have some influence as regards the future of the bank, if I could point to one business at any rate, though not a large one, which had been concluded. Hakki Pasha said that he would endeavour to hasten the decision.

H. BABINGTON SMITH.

December 29, 1910.

637] No. 9

Sir H. Babington Smith to Sir A. Nicolson.—(Received January 6, 1911.)

(Extract.)

Banque nationale de Turquie, Constantinople, December 30, 1910.

I SAW the Grand Vizier yesterday, and I enclose a memorandum of our conversation.

* * * * *

Hakki Pasha, in the course of our conversation, dwelt a good deal on the Bagdad question and on the situation in Mesopotamia and the Persian Gulf. He stated [illegible] Bagdad." This is significant in connection with the reports which are current, that negotiations have been begun for the early construction of the line between Helif and Bagdad, and also in connection with the paragraphs in Djavid Bey's budget statement, in which he refers to the Bagdad question, and points out that in five years' time, the earliest date at which the line could be completed, the surplus of the debt revenues will probably have increased sufficiently to provide the guarantee as far as Bagdad, and that the Germans, therefore, will lose nothing by abandoning their lien upon the proceeds of the increased customs duties. The Grand Vizier also stated distinctly that it would be necessary to arrive at some arrangement satisfactory to England about the section between Bagdad and the Gulf, and expressed his readiness to bring pressure [illegible] Germans, if necessary, in this direction. I do not know whether the

general political situation as regards Germany makes it any more likely now that they would be prepared to come to terms; but it is evident, in the first place, that we have no [illegible] preventing the German line from reaching Bagdad, and, in the second place [illegible] ore and more acute unless some settlement is reached. Such a settlement would, in itself, improve our relations with the Turks also, and I confess I do not see why we should not at the same time give the Turks some satisfaction regarding Koweit, if we obtain binding engagements regarding its alienation [illegible] use as a "port de guerre."

I will not, however, write more on this subject, as I hope I may have the opportunity of seeing you shortly in London.

Enclosure in No. 9.

Memorandum of Interview with Hakki Pasha, Grand Vizier, on December 29, 1910.

I INFORMED Hakki Pasha that I was leaving for London in a few days, and that it would be necessary to arrive at a decision regarding the future of the National Bank. As he was aware, recent events had raised grave doubts as to whether the bank could with advantage continue its operations. T[illegible] this question would depend, in great measure, upon the prospect of obtaining active and practical support from the Government. The bank would never have been started unless the invitation of the Ottoman Government and the attitude of the British G[illegible] [illegible] mistaken idea that, [illegible] the ground was entirely [illegible] Turkey. This, he said, w[illegible] large, and there was room for very many other [illegible] to German capital, but to British capital; and [illegible] welcomed.

I said that I did not think that this erroneous view was held by anyone who was well informed. It was undoubtedly true that the Bagdad question had assumed great importance in the relations between England, Turkey, and Germany, both in itself and also in relation to the position in Mesopotamia and the Persian Gulf generally. If the Bagdad question could be settled in a satisfactory manner, I was convinced that it would have an admirable effect on the relations of the three countries.

Hakki Pasha said that the question of Koweit was at the root of the Turkish [illegible]. On this subject he spoke strongly. [illegible] [illegible]ed it as beyond doubt that British action in relation to Koweit [illegible] under British protection although there was not a protectorate in [illegible] sense of the word, Koweit was the centre of the contraband arms traffic, and a source of continual conflict with its neighbours. So long as this anomalous state of affairs existed, it was impossible to restore peace and order in that part of the world. Koweit was like a thorn stuck in the side of Turkey, and it was British action there more than anywhere else that had created suspicions of British aims [illegible] Mesopotamia.

[illegible] said that I was not acquainted with the details of the question, but whatever the rights or wrongs of the matter, his Highness knew perfectly well that British action regarding Koweit was not directed against Turkey, but against the possibility of K[illegible] that practically the action taken by way of defence against another Power operated against Turkey. It was not in any way Turkey's interest or desire to permit any other Power to establish itself there. Even under the old regime, Abdul Hamid had not permitted the Germans to acquire a coaling station in the Red Sea. The new regime w[illegible] [illegible] as a naval station. He said that, in his opinion, the matter was one that ought to be capable of settlement if there was good-will on both sides, but he compa[illegible] first condition of an understanding.

I [illegible] is not one in which I was entitled to express an opinion, but that I saw with great regret the extreme sensitiveness of Turkish opinion as regards the most innocent and legitimate activities of British shipping and commerce in the Gulf. I referred to a recent article by Ismail Hakki Babanzadé, in which the presence of British shipping at Bussorah and the extent of British trade there were treated as matters of offence and indications of sinister intentions; whereas it was clearly essential to the prosperity of the country to welcome [illegible] that could come, whatever the nationality [illegible] Germans had ob[illegible] for negotiation; and it was for the interests concerned to formulate proposals. The Turkish Government would be very anxious to arrive at a settlement, and would be prepared to bring pressure on the Germans with this object. One solution would be to make the line south of Bagdad an international one; another solution would be that it should be a Turkish Government line, a suitable arrangement being made with the interests concerned for providing the capital.

As regards the position of Turkey generally, he said emphatically that [illegible] view, it was most undesirable to give any one Power an exclusive or preponderant influence in Turkish affairs. He wished to remain on good t[illegible] and the interests of Turkey lay [illegible] her development.

I then spo[illegible] [illegible]ntinople loan had [illegible] competition with other banks, and after a struggle lasting over several [illegible] asked whether he could give me any assurances of practical support in t[illegible] which I could lay before our friends in London. Hakki Pasha said that, as regards Government accounts, their hands were tied to a very considerable extent by the terms of the concession of the Ottoman Bank. The Constantinople municipal loan had produced profit sufficient to cover the expenses of the bank for one year at any rate. If the bank had been able to conclude the loan recently under discussion, the profits would have provided for the bank for two or three years at least. Unfortunately, this had been prevented by the action of the British Government, which, he said, speak ing [illegible] [illegible]t interpose any bar in future the National Bank would be able to take part i[illegible] [illegible]ent loans, either in co-operation with the Ottoman Bank or in competition w[illegible] Apart from that, he repeated that the whole of Turkey was open to foreign enterprise, and that foreign capital would be welcomed. If British capital would come to take part in the development of the country, there would be a profitable field for the bank's energies. He regretted that British capital had taken so little interest in Turkey in recent years, and thought that both the press and commercial circles were [illegible] formed. He referred in this connection to the mining law, in the amendment [illegible] the British Government had taken a great interest. The law had been [illegible] but in the two years which had elapsed since then there had not, so far as he [illegible] been a single British [illegible] one of mines, for instance, the absence of roads and railways made all mines, except the richest, unremunerative. This accounted for the absence of applicants. As regards [illegible] Public Works Department. With the object of securing advantages to the State concessions were hedged round with impossible conditions. It would be to the real interest of the Government to grant the first concessions on terms which would make them thoroughly remunerative; whereas the conditions now laid down were such that there could not be a large profit, and that there might very likely be no profit at all.

Hakki Pasha admitted that there was truth in what I said, but added that, in his own opinion, this difficulty would disappear in time. At the outset of a parliamentary régime, there was a tendency to criticise everything. In the endeavour to avert such criticism, the conditions had perhaps been drawn too tightly. [illegible] these defects.

[illegible] R[illegible] ther the money would be [illegible] spent if it were granted. He thought, however, that they would [illegible] to the decision to support Nazim Pasha still, and in that case they would approve the loan. I represented that it was very desirable to decide the matter as soon as possible since my letter to Nazim Pasha, resuming our liberty of action in the matter, had probably reached him, or would reach him in a day or two. I added that it might have some influence as regard the future of the banks if I could point to one business, at any rate, though not a large one, which had been concluded. Hakki Pasha said that he would endeavour to hasten the decision.

H. BABINGTON SMITH.

December 29, 1910.

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587 No. 10.

India Office to Foreign Office.—(Received January 6.)

THE Under-Secretary of State for India presents his compliments to the Under-Secretary of State for Foreign Affairs, and, by direction of the Earl of Crewe, forwards herewith, for the information of the Secretary of State, a copy of a telegram to the Viceroy, dated the 30th December, relative to the Trans-Persian Railway.

India Office, January 5, 1911.

Enclosure in No. 10.

The Earl of Crewe to Government of India.

India Office, December 30, 1910.

[illegible] Tehran-Ispahan-Yezd-Kerman alignment is now [illegible] by Russian proposers, but with a view to "avoiding the possible risk of intersection at Ispahan with eventual German line," the Russian Government prefer the alignment from Tehran southeast to Kerman. A prospect not hitherto contemplated by us is opened up by the words quoted as to German line. The proposal is that British and Russian interests should predominate, their participation being in equal shares; a settlement to be made by arrangement as to the participation of other nationals.

The following is most secret:

The German and Russian Governments are negotiating an agreement in which it is provided—

1. That Bagdad Railway will not be opposed by Russia.

That Tehran and Khanikin will be linked up by Russia after the construction of the lines from Konia to Bagdad, and from Sadiya to Khanikin and of the North Persian line.

3. That between Bagdad Railway and Persian frontier north of Khanikin no lines will be built by Germany.

4. Special interests of Russia in the north are recognised by Germany, who will seek no concessions in Russian sphere for roads, railways, telegraphs, or navigation.

First clause is understood by Russia, though this is not explicitly stated, to refer to railway as far as Bagdad, and not to hinder Russia from supporting Great Britain in respect of section to the Gulf. Right to construct branch from [illegible] Khanikin was claimed by Russian Minister for Foreign Affairs in conversation. [illegible] construction of North Persian line in near future is or is not intended by Russia, considerable obscurity exists.

Extract from the "Evening Times" of January 6.—(Received January 7, 1911.)

RUSSIA'S DEAL WITH GERMANY: FULL OFFICIAL TEXT OF THE NEW PROPOSAL.

[illegible] of Persia.

Turkey gives Special Rewards for the Recent Loan.

OUR St. Petersburgh correspondent sends us to-day one of the most important and interesting messages which has been published for a long time: it is the official text of the Russian proposal to Germany with regard to Persia.

This agreement, which was arrived at at a recent conference at Potsdam between the Russian and German Foreign Ministers, puts in an official form Germany's attitude with regard to that country; it also indicates that Russia at last accepts German railway predominance in Turkey in Asia, and, unless there are important secret reserves, shows that Russia has thrown over her allies in the Triple *Entente*, Great Britain and France—for it has been always understood that if the Czar's Government made any deal with Germany on the subject it would only do so

[illegible] Britain was conceded the right of building the railway from Bagdad [illegible] and

[illegible] and the right to build a line from Homs, the terminus of the [illegible] station to Bagdad, thus joining up Mesopotamia and the Mediterranean.

Germany has, moreover, secured very important concessions from Turkey for arranging the last loan.

Here is the message:—

[illegible] Own Correspondent.

St. Petersburgh, January 5, 1911.

I [illegible] to send the exact official text of the proposal put forward by Russia [illegible] and to Persia.

(1.)

The Imperial Russian Government declares itself willing not to oppose the realisation of the Bagdad Railway, and undertakes not to place any obstacle in the way of the participation of foreign capital in the undertaking. It is, of course, understood that no sacrifice of a pecuniary or economic nature will be demanded on the part of Russia.

(2.)

[illegible] system of railways in Persia, the Russian [illegible] takes to carry out, when this system shall have been constructed, the building of a line to join on the Turco-Persian frontier, the line from Sadije to Khanikin, when this branch of the Bagdad Railway, as well as the line from Konia to Bagdad, shall have been finished. The Russian Government reserves the right to fix, at its own choice of time, the final route of the line which shall end and join up at Khanikin.

The two Governments will facilitate international traffic on the latter line, and shall avoid all measures which might hinder it, such as the establishment of transit rights or the application of differential treatment.

(3.)

[illegible] lines in the zone situate between the Bagdad line and the Russian and Persian frontier to the north of Khanikin, nor to lend its material or diplomatic support to such undertakings of the kind in the zone indicated.

The German Government puts on record that it has no political interests in Persia, and will only pursue commercial aims there, recognising, on the other hand, that [illegible] has special interests in the north of Persia from the political, strategic, and economic points of view. The German Government likewise declares that it has no intention of seeking on its own account, or of supporting on behalf of any one amenable to its jurisdiction, or of subjects of other nations, any concessions for railways, roads, navigation, and telegraphs, or any other concessions of a territorial nature to the north [illegible] at the Afghan frontier at the latitude of Gnask. If the German Government should seek such concessions, it would first come to an understanding with the Russian Government.

On the other hand, the Imperial Russian Government will continue to recognise, with regard to German commerce in Persia, the principle of absolute equality of treatment.

The above document is now under consideration by Germany, which may put forward a counter-proposal although in any case this is not expected seriously to modify the above proposals. In official Russian circles it is held that the document is really Russia's reply to proposals put forward by Germany to the Russian Government in July 1907. It seems that the German Foreign Minister has informed the Russian Foreign Office that Germany is quite confident of securing all the resources necessary for the completion of the line as far as Bagdad, and he claims, moreover, to have the [illegible] negotiable in France, the Ottoman Bank certainly has subscribed 30 per cent. of the capital of the company, and has sold some of its holdings to French capital [illegible] while the company also possesses a French vice-president and seven [illegible] the Bagdad Railway Company has secured the following extra privileges from the Turkish Government:—

1. The concession of a branch line from Eregli to Angora.
2. The modification of the first route of the line wh[illegible] constructed straight towards Tel-el-Halesh, will bend to the south [illegible] a point 14 kilom. from that city.
3. The concession of a narrow gauge railway between Aleppo and Alexandretta.
4. The acceptance by Turkey of the German contention according to whi[illegible] excess of tithes already allocated to the guarantee of other Turkish railways will in future be assigned not only to the section of the Bagdad line as stipulated in the contract dated the 2nd June, 1908, viz., from Bulgurlu to El Helif, but to the entirety of the railway from Konieh to Bagdad.

Great stress should be laid on the latter point, because Great Britain has always strenuously objected to the excess being so employed. The Germans h[illegible] however, seemingly carried their point, and Russia has apparently agreed by [illegible] taking "not to place any obstacles in the way of the participation of foreign [illegible] the undertaking."

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(848) No. 12

Mr. Marling to Sir Edward Grey.—(Received January 9.)

(No. 14. Secret.)

Sir, *Pera, January 4, 1911.*

SIR HENRY BARINGTON SMITH has been so good as to give me a memorandum (copy enclosed*) of an interview which he had with the Grand V[illegible] the 29th ultimo, with the object of enquiring what prospects the Government could [illegible] continuing to operate in Turkey. Sir Henry has forwarded to Sir Arthur Nicolson a [illegible] reply on which I need not therefore dwell, but the point to which I venture now to invite your attention is his Highness's reference to Koweit.

* Already printed, see [636] and [637], Nos. 8 and 9.

What brought the matter to Hakki Pasha's mind was no doubt Sir Henry's [illegible] appeared in the "Tanin" of the 28th December, and which was specially devoted to British action in Koweit and British relations with the Sheikh of Mohammerah (see my despatch No. 15 of to-day). Hakki Pasha had, however, just previously spoken of [illegible], and, after his mention of Koweit, again reverted to it, so that it may be inferred that the Grand Vizier for the moment had, as was sugg[illegible] Sir Gerard Lowther's despatch No. 603 of the 29th August la[illegible] conceived the idea of making the solution of the two questions interdependent [illegible] it seems probable that the question of Koweit will be raised at no distant date, if indeed it is not, as Ismail Hakki counsels, forced upon us. This latter contingency is, I think, unlikely; but I venture to suggest that it might be well for His Majesty's Government to consider whether in the event of the [illegible] us to discuss the Koweit question it will be more expedient to enter [illegible] or to postpone negotiations for some little time. Looking at the present ag[illegible] attitude of the Committee of Union and Progress, which, as you are aware, is th[illegible] power guiding the affairs of Turkey, postponement would seem the wiser course. [illegible] defections from the committee's ranks and its dwindling majorities in the Chamber show that its position is less secure now than a few months ago; there are also signs that Mahmoud Shevket Pasha and the senior officers by no means approve the direction given by it to Turkish policy. The lesson learnt by the refusal of the French Government to allow the late loan to be quoted in Paris has had its effect, and that there is a tendency in the committee to modify its chauvinism, at least, temporarily, is shown by the substitution in the secretaryship of the moderate Haji Adil Bey lately Vali of Adrianople, for the violent Dr. Nazim. Time will, therefore, to all appearances, [illegible] that are at work may operate slowly, and in the meanwhile articles such as those of Ismail Hakki—not to mention hints which have already appeared in the local press that English intrigues are responsible for the troubles in Kerek—may do us some harm, even in the eyes of those sections of the people who have now no doubts as to the sincerity of our friendship.

Another danger from delay lies in the fact that the Turks desire the Bagdad Railway to be built. It is true that the financial arrangements have only been completed for the construction as far as El Helif, but, as the Grand Vizier implied to [illegible] found for the annuities for the sections as far as Bagdad. There is even reason to believe that negotiations for the purpose are already on foot, and it is thus probable that although the line cannot actually be built for some years, the Germans may potentially reach Bagdad within a few months, and will be free to turn all their attention and influence to asserting their existing rights under the concession to the Bagdad-Bussorah Gulf sections. It is not, perhaps, out of place to remark here that by her recent pourparlers with Germany Russia appears inclined to disinterest herself [illegible] the southern sections of the railway.

In my despatch No. 942 of the 29th ultimo I expressed the opinion that too much importance need not be attached to the advances made by Rifaat Pasha to us for a renewal of negotiations for a solution of the railway question, but it is quite possible that if that question and that of Koweit were treated together we should find a genuine and effective desire on the part of the Turks to come to an agreement. The prospect of gaining something at Koweit would be a powerful inducement to them to obtain from the Germans the latitude requisite for them to satisfy our requirements in the railway question. It should be remembered that the main object in view when, eleven years ago, we entered into relations with Sheikh Mubarak was to prevent the Bagdad Railway from reaching the shores of the Gulf except under conditions consonant with our interests, and I venture to suggest that it is worth while considering whether the moment is not now approaching when we should endeavour to turn our acquired position at Koweit to account, and whether, if we do not now seize the opportunity, we [illegible] the sheikh involving us in particularly thorny questions *vis-à-vis* of the Turks, without having reaped any commensurate advantage. Our position as regards the actual terminus of the railway at Koweit may still be secure owing to the agreement of October 1907, but we might now use the leverage offered to us by the Turkish anxiety to settle the Koweit question to secure our interests on the Bagdad-Bussorah sections; whereas if we do not, and if we allow the line to reach Bussorah under purely German control, it appears to me that a very awkward situation might arise.

A great difficulty in seeking a solution of the Koweit question at present will be to find a basis of negotiation. Turkish aspirations will, of course, be satisfied with nothing short of an acknowledgment of Ottoman sovereignty over the sheikh and his dependencies, but we have unfortunately, if I may say so, been led into such intimate relations with him that it would be impossible for us, with the examples [illegible] enormities of the Turks [illegible] tion to us both in Arabia and Persia would be immense, nor would the native mind be capable of appreciating the importance of the advantages we should have gained in connection with the railway but would rather consider Turkish version that we had been compelled to yield to the superior power of the present Government of Turkey. But on the importance of this in relation to our position in the Persian Gulf His Majesty's Government will no doubt take the opinion of the Government of India.

I have [illegible]

CHARLES M. MARLING.

[1131] No. 1

Sir G. Buchanan to Sir Edward Grey.—(Received January 10.)

(No. 11.)

(Telegraphic.) P. *St. Petersburgh, January 10, 1911.*

I AM asked by M. Sazonow to tell you how grateful he would be if you could possibly discover and let him know how the "Evening Times" contrived to [illegible] copy of the draft Russo-German agreement. The German Government had asked that the original wording of article 4 should be altered, and, in accordance with their desire, that article now stipulated that before seeking for concessions in the Russian sphere Germany should come to a previous understanding with the Russian Government. This alteration appeared in the version printed in the "Evening Times," and he (M. Sazonow) had drawn the German Ambassador's attention to the fact and treated [illegible] Emperor of Russia himself, the paper [illegible] obtained the text either at St. Petersburgh or at Berlin. He had added to Count [illegible] text had certainly not been communicated at the Russian capital. [illegible] said that in one or two of the other articles there were a few [illegible] the text published by the "Evening Times," but it [illegible] it was almost a transcript word for word of the original document.

I told M. Sazonow that I felt certain that you would be only too happy to give assistance in your power, but that I feared that His Majesty's Government had means at their disposal of discovering the truth. To this M. Sazonow replied with the suggestion that the services of a detective might be employed.

[769 No. 14.

Sir Edward Grey to Mr. Marling.

(No. 11.)

Foreign Office, January 11, 1911.

MY despatch No. 197, Secret, of 20th April, 1910.

The "Evening Times" of 6th January states that, in consequence of recent German services in connection with loan, Turkey has granted following privileges to Bagdad Railway Company:—

1. Branch line from Eregli to Angora. (This seems unlikely as railway communication viâ Eskishehr already exists, and such a concession might be debarred by Black Sea Agreement of March 1, 1901.)
2. Modification of main line towards Aleppo.
3. Narrow gauge line from Aleppo to Alexandretta.
4. Excess of tithes may be allocated not merely to line as far as El Helif, as stipulated in contract dated June 1908, but to line as far as Bagdad.

I should be glad to receive your observations on points 1 and 2.

[1131 No. 17.

Sir Edward Grey to Sir G. Buchanan.

(No. 1. Secret.)

(Telegraphic.) *Foreign Office, January 11, 1911.*

YOUR telegram No. 11: Russo-German draft agreement.

I [illegible] text as published in the "Evening Times" contains at end of first paragraph of article 4 the addition indicated by Russian Minister for Foreign Affairs to your Excellency. As this addition was not in the text enclosed in your despatch No. 48 of 10th December, it is quite conclusive that newspaper had access to information not yet in our possession, and that it must have been obtained through Berlin or St. Petersburgh. We will try to ascertain the source, but it is very doubtful if we shall be successful.

1435 No. 16.

Sir G. Buchanan to Sir Edward Grey.—(Received January 12.)

(No. 13.)

(Telegraphic.) *St. Petersburgh, January 12, 1911.*

RUSSO-GERMAN negotiations.

On consulting the map of Persia this afternoon I noticed for the first time that the line laid down in article 4 of the draft agreement runs in such a way as to cut off a block of a triangular shape near the frontier of Afghanistan lying in the neutral zone.

I asked M. Sazonow why he had made this reference to the neutral zone in the draft agreement, and he replied that he considered it highly important to debar the Germans from seeking concessions for railways in the district in question; he had [illegible] a portion of the neutral zone as much in our interest [illegible]

M. Sazonow gave me to understand that the words "latitude of Ghazik" had been inserted by himself. He had not consulted the German Government on this point, and he feared that they might still refuse to accept it.

[46569 10] No. 17.

Sir Edward Grey to Mr. Marling.

Sir, *Foreign Office, January.*

I HAVE received your despatch No. 920 of the 20th ult. no, recording a conversation with the Ottoman Minister for Foreign Affairs on the subject of the Bagdad Railway.

[illegible] your language to Rifaat Pasha, and I have to request you to [illegible] that, if a detailed scheme is put before His Majesty's Government [illegible] in regard to the sections of the Bagdad Railway between Bagdad and the Persian Gulf, they will be happy to give it their most careful consideration.

I am, &c.

E. GREY.

[1442] No. 18.

Mr. Marling to Sir Edward Grey.—(Received January 13.)

(No. 8.)

(Telegraphic.) P. *Constantinople, January 13, 1911.*

[illegible]

1448 No. 19

Sir G. Buchanan to Sir Edward Grey.—(Received January 13.)

(No. 14.)
(Telegraphic.) P. *St. Petersburgh, January 13, 1911*

RUSSO-GERMAN negotiations.

My telegram No. 13 of the 12th January.

(No. [illegible]

[illegible] and only time last night to telegraph a meagre account of my conversation with M. Sazonow, which was a very hurried one. I pointed [illegible] that while I, for myself, saw no objection to the stipulation that the Germans should not be free to seek for concessions in that part of the neutral zone bordering the Afghan frontier [illegible] His Majesty's Government had always been [illegible] pending between the Russian and German Governments the question of the [illegible]

The chief point that seems to call for criticism is that Russia, by restricting Germany's rights to seek for concessions in one portion of the neutral zone may be [illegible] to know how far we can dispute this right. I asked M. Sazonow whether any effort was being made by Germany to induce [illegible] in the neutral and British zones. His Excellency said that Germany [illegible]

M. Sazonow said that the whole text of the agreement might have to be dra[illegible] authentic. I pointed out that if the text were redrafted it would give him an opportunity of clearing up the ambiguity of the wording of the first article. To this he replied that an alteration such as I had proposed would not now be accepted by Germany. I put the matter rather strongly to his Excellency, as I think we must show him that Russia should not leave British interests entirely in the lurch, but his only reply was a repetition of his old arguments and assurances.

He referred also to the second article of the draft agreement, and said that it [illegible] have to be [illegible], hoping that Germany is to be admitted to a share in the [illegible] conversation was that M. Sazonow was [illegible] caught in a net from which he was [illegible]

1627 No. 20.

Mr. M[illegible]

(No. [illegible])
(Telegraphic.) P. *Constantinople, January 14, 1911*

BAGDAD Railway.

In reply to your telegram No. 11 of the 11th instant I learn that discussion has taken place, but I cannot ascertain whether any definite agreement has been arrived at.

Referring to point 1. I know of no branch from Eregli, though journals [illegible]

In regard to point 4. According to a private statement of the Minister of Finance [illegible] concession of the line to Bagdad. Money would be available even without this if the Tobacco Regie is given over to the Public Debt, as seems likely. The regie is one of the ceded revenues affected by the original concession to the railway.

From what I hear, it seems that the Government is pressing the company to [illegible] completed or begun within five or five and a-half years, but the company are objecting, as this course would involve increase of expenditure.

1628 No. 21

Sir G. Buchanan to Sir Edward Grey.—(Received January 14.)

(No. [illegible])
(Telegraphic.) P. *St. Petersburgh, January 14, 1911.*

AT to-day's reception for the New Year I took the op[illegible] Emperor with what great pleasure the King had heard of the gr[illegible] which His Majesty had received me and of the friendly assurances which he had given [illegible]. The Emperor replied that we could always count on his friendly [illegible] the friendly nature of my reception was but natural. I then [illegible] the press wrangle with regard to the negotiations between Russia and [illegible] Emperor remarked that the "Evening Times" revelations had been [illegible] bolt-shell. It was evident that the information could not have been [illegible] matter had been most thoroughly investigated at the Ministry of [illegible] clearly established. I replied that the alterations in article 4 of the agreement had never been [illegible] impossible that the information should have leaked out in London. It looked, therefore, as if some one at Berlin had committed an indiscretion. The Emperor silently [illegible] assent, and then went on to say that he had seen a report of the speech which [illegible] at the English club dinner. His Majesty was pleased to say that he was [illegible] that I had spoken as I had done.

[illegible] spoke to the Emperor in much the same sense as I had spoken at my first [illegible]. I said that His Majesty's Government heartily welcomed anything which [illegible] tend to place Russo-German relations on a more friendly footing, but that they [illegible] that the Russian Government would contract no engagements which would fetter their liberty of co-operating as freely with Great Britain in the future as they had done [illegible] that Russia's promise not to oppose the realisation of the [illegible] would not prevent her from giving us her support in any [illegible] to the Bagdad-Gulf section. The Emperor replied that the [illegible] would make no difference whatever.

Judging from the Emperor's frank and cordial manner, I think there can be no doubt that His Majesty has, at present, no intention of changing the course of his foreign policy, in spite of the unfortunate assurances given so light-heartedly to Germany by his Foreign M[illegible]

In conversation with the French Ambassador, the Emperor expressed his great satisfaction with M. Pichon's speech; he said that he agreed with all that M. Pichon had said, and that the speech gave a clear and accurate picture of the present political situation.

1643] No. 22

Mr. Marling to Sir Edward Grey.—(Received January 15.)

(No. 10.)
(Telegraphic.) P. *Constantinople, January 15, 1911.*

POTSDAM agreement. See my telegram No. 8 of the 13th January.

An inspired communication in this morning's "Tanin" states that the German Ambassador here declared yesterday to the Minister for Foreign Affairs that the [illegible] had not as yet resulted in the conclusion of any agreement, and [illegible] negotiations now under discussion refer only to the construction and junction on [illegible] Persian territory. The German Ambassador categorically denied that [illegible] negotiating about the terminus of the Bagdad Railway, and stated that, except with the previous consent, after consultation, of the Ottoman Government, no negotiations would take place regarding Mesopotamia, which was a part of the Ottoman Empire. The above assurances were given both verbally and in writing, according to the "Tanin."

The paper further adds that it learns that the proposed Russo-German agreement does not imply Germany's confirmation of the position accorded by the Anglo-Russian convention of 1907 to Russia in North Persia, and that, from an authorised source, it has obtained a distinct denial of the report that Germany would disinterest herself in any railway between the Caucasus and Khanikin.

The above rumours had produced a strong anti-German irritation here, which these communications are clearly intended to allay.

[1727]

Sir G. Buchanan to Sir Edward Grey. (Received January 16.)

(No. 8.)

Sir,

St. Petersburgh, January 4, 1911

I ASKED M. Sazonow yesterday whether there was any truth in the statement made by the "Novoe Vremya" a few days ago that the Russian Government was about [illegible] Government in reply to the one which the latter had [illegible] after the conclusion of the Anglo-Russian agreement, with regard [illegible] attitude towards German interests in the Middle East.

His Excellency replied by inveighing against the editor of the "Novoe Vremya" for having published such a statement and against the "Times" correspondent for having telegraphed home what the editor of that paper had told him without first controlling its accuracy. A correspondent of the "Novoe Vremya," he said, had [illegible] at the Ministry of Foreign Affairs and had been told, in reply to the enqu[illegible] he had made respecting the course of the negotiat[illegible] country, th[illegible] *projet* had been sent to Berlin, and he had there [illegible] note. The draft agreement, of which he h[illegible] declared, the only answ[illegible]

[illegible] told that it was M. Sazonow himself [illegible] to the correspondent of the "Novoe Vremya." I must, however, have misunderstood his Excellency, as he told my French colleague to-day that the [illegible] had only seen an official in the Press Bureau of the Ministry of For[illegible]

I have, &c.

GEORGE W. BUCHANAN.

1728 No. 21

Sir G. Buchanan to Sir Edward Grey. (Received January 16.)

(No. 1.)

Sir,

St. Petersburgh, January 10, 1911.

IN view of the divergent statements which have recently been published in the foreign press respecting the course of the negotiations now proceeding at St. Petersburgh for the purpose of incorporating in a diplomatic act the results of the Potsdam conversations, it may perhaps be useful to recapitulate briefly the explanations which have from time to time been given by M. Sazonow with regard to their [illegible] points.

On his return from Berlin, M. Sazonow informed Mr. O'Beirne that, w[illegible] Germany had agreed not to seek for any concesse[illegible] the Russian sphere, Russia had undertaken that the Bagdad Railway s[illegible] be connected at Khanikin with the future North Persian railway system. Russia was, however, to have the right to construct the Sadijeh-Khanikin line in the event of the Gulf section of the Bagdad Railway being granted to Great Britain. His Excellency further communicated to Mr. O'Beirne the assurances which the German Chancellor had given him respecting Germany's future policy in the Near East. At the same time M. Sazonow informed a correspondent of the "Novoe Vremya" of the general tenour of the agreement arrived at with regard to North Persia and the Bagdad Railway, and assured him that no attempt had been made at Potsdam to draw Russia away from her alliance with France and her cordial agreement with England. On my arrival at St. Petersburgh a month later, M. Sazonow communicated to me the text of the draft agreement which he had just submitted to Count Pourtales, according to the first article of which Russia engages not to oppose the realisation of the Bagdad Railway. This engagement, his Excellency subsequently explained, had only reference to the railway as far as Bagdad, and not to the whole railway system, inclusive of the Gulf section and its other branches.

On the 13th December I drew his Excellency's attention to the statement made by the German Chancellor in the Reichstag a few days previously that an engagement had been taken to the effect that neither of the two Governments would join a combination that might be in any way directed against the other. His Excellency thereupon proceeded to explain that assurances had been exchanged between him and

the German Chancellor to the effect that neither Government had the slightest desire to detach the other from the particular combination of Powers with which [illegible] associated, and that neither of these respective combinations contained any point that was directed against the other. He further informed the French Ambassador on the same day that, though the text of the Chancellor's statement had not been drafted in concert with him, it had been previously submitted to him by the German Ambassador, and that he had raised no objections to its terms.

On the 31st December the "Novoe Vremya" announced that the Russian Government were about to send a note to the German Government in reply to the enquiries which the latter had addressed to them after the conclusion of the Anglo-Russian Agreement respecting their future attitude towards German interests in the Middle East. This note, the "Novoe Vremya" declared, would state that the two Governments had agreed not to take any part in any new combination "with regard to Asiatic affairs" which might be directed against the other. On my questioning M. Sazonow as to the truth of this statement, his Excellency explained that the correspondent of the "Novoe Vremya" had misrepresented what had been told him at the Ministry of Foreign Affairs respecting the negotiations with Germany, and that the draft agreement of which he had given me the text was the only answer which he proposed to return to the German note of 1907. His language to the French Ambassador, who addressed a similar enquiry to him a day or two later, was still more explicit, as his Excellency then declared that no other document, secret or public, had either been prepared or was in course of preparation for communication to the German Government. Finally, on the 7th of this month M. Sazonow informed a correspondent of the "Novoe Vremya" that, as regarded the Potsdam conversations, he could only repeat his former statement which had been published in the "Novoe Vremya" of the 9th November, and that any agreement which might be arrived at between the two Governments would be published *in extenso*.

I have, &c.

GEORGE W. BUCHANAN.

[1729]

Sir G. Buchanan to Sir Edward Grey. (Received January 16.)

(No. 2. Secret.)

Sir,

St. Petersburgh, January 10, 1911.

ON my calling on the Minister for Foreign Affairs this afternoon his Excellency greeted me by saying that he was very much upset, and that I could probably guess the reason. On my replying in the affirmative, M. Sazonow proceeded to say that he had a favour to ask of His Majesty's Government, namely, that they would endeavour to discover the source from which the "Evening Times" had obtained a copy of the agreement which was being negotiated between him and the German Ambassador. In order to meet the wishes of the German Government he had altered the text of the fourth article of the original draft, and the version of it that had been p[illegible] the "Evening Times" was correct. According to its terms Germany was not [illegible] for concessions for railways, &c., in the Russian zone without first coming to an understanding with the Russian Government. This fact was known by no one outside the German and Russian Foreign Offices, not even by the Emperor of Russia himself, and he had therefore told Count Pourtales, who had just been to see him, that, as this was the case, the "Evening Times" could only have obtained its information at Berlin or St. Petersburgh, and that it had certainly not done so at the latter capital. On my pointing out one or two discrepancies between the original draft and the published version, M. Sazonow remarked that there were a few inaccuracies in some of the articles, but that, taken as a whole, the document published by the "Evening Times" was a literal translation of the original.

I said that I was sure that His Majesty's Government would be only too glad to render him every assistance in their power, but that I feared that they might have no means at their disposal for ascertaining the truth. It certainly seemed, after what he had told me, that somebody at the Berlin Foreign Office must have been guilty of a great indiscretion. The German Government did occasionally use the English press for the purpose of imparting to the world information which it wished to make [illegible] whether that information were true or false. The report which had been communi[illegible] to his Excellency on his arrival at the Russian Embassy at Berlin that His Majesty's

Government were on the point of concluding an arrangement with the German Government on the subject of the Bagdad Railway had originated in an article in the "Daily Chronicle," which had evidently been inspired in the Wilhelmstrasse. I should not, moreover, be surprised if the "Daily News" and the [illegible] their inspiration for their recent articles on the subject of the [illegible] German Embassy in London. In any [illegible] that the articles in question in no way represented the views of His Majesty's [illegible] ment, that the papers themselves did not enjoy the reputation which appears to be attributed to them abroad, and that the Russian Government need not entertain the slightest doubt as to the loyal and friendly sentiments of His Majesty's Government. M. Sazonow replied that he never doubted this for a moment, a[illegible] when the "Reich" had alluded to them, not a single Russian [illegible] had paid any attention to the arti[illegible] [illegible] asking later on in [illegible] forthcoming [illegible] Pourtales, M. Sazonow replied [illegible] [illegible] suggested [illegible] At first his Excellency did not seem inclined to inform me of their nature [illegible] subsequently told me that the German Government were anxious to alter the [illegible] to be so as to bind Russia to commence the construction of the North Persian Railway as soon as the Sadigh Khanikin line had been completed. His Excellency explained to me at some length that Count Pourtales was unwilling [illegible] an assurance from Russia in order to satisfy German public opinion that the Imperial Government was doing all it could to secure an access for German trade to Persian Iran [illegible] seeing that the northern route was closed to it by the transit clause in the [illegible]

I then enquired what truth there was in the reports which had appeared in the press that the two Governments were about to engage not to enter into any fresh combinations [illegible] affairs that could in any way be directed against the other. I [illegible] the explanations which he had given me as to the meaning of the German Chancellor's statement in the Reichstag with respect to the engagements [illegible] at Potsdam as regarded such combinations in general, see my immediately preceding despatch, and asked whether it was his intention to record these engagements in the draft agreement. M. Sazonow replied by an emphatic negative, declaring that if the German Government proposed such a course to him he would certainly not consent to it. He still held to the explanations which he had given me on the occasion of the Chancellor's speech. They represented what he held to be the true character of those engagements, but there were certain details connected with the Potsdam visit which he could not confide to me at present. He would, however, communicate [illegible] to His Majesty's Government when he went, as he hoped to be able to do later [illegible] London, and meanwhile he would ask me to reserve my report of what he had just told me for a despatch by messenger, as he did not trust cypher telegrams. I did not like to press his Excellency further, and had therefore to be content with this somewhat enigmatic explanation.

On taking leave of M. Sazonow I mentioned that I had to preside to-morrow at the [illegible] of the British community at St. Petersburgh, and that, in view of all [illegible] been said in the press of late with regard to the Triple *Entente*, I proposed to [illegible] the course of my speech that Anglo-Russian relations had never been more [illegible] than at the present moment, that the two nations were bound to each other by ties of sympathy and friendship, and that, now we had got to know [illegible] each other, I was convinced that we should always remain the [illegible] M. Sazonow replied that he entirely approved of my [illegible] a statement might have a very good effect at the present moment. He would only ask me to add the word "interests" after "friendship and sympathy," as our common interests were the most important bond of union between us.

I have, &c.

GEORGE W. BUCHANAN.

P.S. *January* 12.—I only noticed on looking at the map of Persia this afternoon that the line traced in the fourth article of the draft agreement, north of which the Germans are not to ask for concessions, runs for the last section considerably south of the Russian sphere of interest, and thus comprises a triangular block of the neutral zone. As M. Sazonow had never called my attention to this fact, I went to the Ministry of Foreign Affairs and asked him to be good enough to explain the reason of including

a reference to the neutral zone in the draft agreement. His Excellency replied that [illegible] so much in our interest and his own. The Russian Government were particularly anxious that the Germans should not obtain a concession in the portion of territory in question, and unless it was specifically mentioned in the agreement they would be free to do so as in any other portion of the neutral zone. He did [illegible] imagine that we should raise any objection to it. I said that, though we had understood that the neutral zone was not to be touched in the present negotiations, I did not personally see any objection, but that, as the matter stood at present, I should [illegible] to have adhered to the original text of [illegible] the words [illegible] ment." M. Sazonow replied that [illegible] article, and for the following reason: Count Pourtales had objected to "concessions [illegible] territorial" being added to railways, &c., and, in order to overcome his [illegible] position he had put a full stop after the word "télégraphes" and begun a new [illegible] tence, in which the German Government declared that it would not seek for concessions of a territorial nature without the consent of the Russian Government. He rather doubted whether Count Pourtales would accept even this text, and if he did not the sentence would stop at "télégraphes."

I then enquired whether he expected that the negotiations would continue for any length of time. His Excellency replied that he feared that they would, as, in the first place, the two Governments might wish to change the text completely so as to show that the "Evening Times" version was not the authentic one. I observed that, in that case, I trusted that his Excellency would be able to render the meaning of the first article clear by inserting the words "jusqu'à" before "Bagdad." The Germans, M. Sazonow said, would not be likely to accept this, and though, on my remarking that if the text remained as it stood the whole German press would proclaim to the world that Russia had withdrawn her opposition to the whole Bagdad Railway scheme, his Excellency said he might try to do so, I do not think that there is the slightest chance [illegible] his making the attempt. He repeated to me once more his former arguments and [illegible] former assurances.

I further enquired what were the chief points that had still to be discussed. M. Sazonow replied that article 2 would have to be reconsidered in order to fix the term in which the Tehran Khanikin line should be commenced. He even gave me to understand that the Germans were asking to participate in its construction. It would, he remarked, be a very expensive line to build, and it was being built exclusively in the interests of Germany. As long as Russia retained the control he thought that it would perhaps be more popular in this country were the Germans [illegible] of its cost.

M. Sazonow told me in the course of our conversation that the Turkish Ambassador [illegible] that its provisions with regard to the question of railways would be most prejudicial to Turkish interests, and that, if they were persisted in, Turkey would have to modify the terms of the Bagdad Railway concession.

G. W. B.

[illegible]1658 [illegible]

Mr. Marling to Sir [illegible]

Pera, January 11, 1911

[illegible] Potsdam interview has attracted a certain amount of attention in the local press, and the enclosed article in the "Tanin" is a fair sample of the comments it has elicited, which, in the main, have been devoted to insisting on Turkey's right to [illegible] an interest in Persian affairs. That these interests have been ignored by Germany [illegible] Turkey, and it was no doubt on this account that Baron von Marschall was authorized to inform the Porte of the tenour of the pourparlers at Potsdam.

The "Tanin" also notes that Russia has now practically come to an agreement with the German Government over railway questions in the regions in which she is interested, and that the English press is annoyed at our being left alone in our

opposition to the Bagdad Railway. This observation is due to the re-public [illegible] good many of the Constantinople papers of an article which appeared recently in the "Daily News," suggesting that Great Britain was dissatisfied with the way in which Russia was fulfilling her engagements under the 1907 convention, and was beginning to repent of her efforts to maintain intimate relations.

I have, &c.

CHARLES M. MARLING.

Enclosure in No.

Extract from the "Tanin" of January 16, 1911.

[illegible]

FURTHER information concerns the [illegible] that Russia was to build the Bagdad Khanikin railway section was absurd, and that [illegible] an agreement merely treated of the junction to be effected between the Bagdad Railway and a line to be constructed by Russia in Persia. The matter now becomes clear and reasonable. [illegible] wished that the German Government for the sake of our amour propre, had admitted to this purely economic discussion those entitled to admittance on purely economic grounds; that it had exchanged views, for instance, with the Ottoman Bagdad Company, or with the [illegible] mixed or international company which proposes to build the Persian line. In that case the railway would have been separated from politics, and our confidence would have been increased.

From the satisfactory information we have received, we can say that Germany [illegible] courteous enough to communicate to the Sublime Porte the gist of the economic discussion about the Khanikin line. Its omission to inform our Ambassador at Berlin at the same time is a detail, and we see no necessity to insist upon it.

It is not only the Khanikin question which affects us. European statesmen must [illegible] so that all Persian affairs have a very keen interest for Turkey. Why is [illegible] Russia, when she wants to get *carte blanche*, thinks it necessary to approach Germany, who is several thousand miles from Tabreez, who [illegible] we with us, who have a common frontier with Persia for thousands of kilo[illegible] [illegible] if we did not take so broad a view of the Persian question, why should it not be considered as important to discuss the Khanikin line with Ottoman diplomatists as with it?

While not leaving the economic sphere, Germany is following an important policy [illegible] this matter. She is obtaining the consent of one of the Powers who for long have been opposed to the completion of the Bagdad Railway. Russia leaves the other opponent, England, practically alone in her obstruction, and she sacrifices this for a proposed Persian railway which may never come into being. She gives up present [illegible] vantage for a future, imaginary profit; and that is why the English press is [illegible] gry and is accusing Russia of not playing the game.

[illegible] far as the German point of view and the Bagdad Railway are concerned, there is no need for Turkey to excite herself about the Potsdam meeting. We [illegible] the policy pursued with regard to Persia generally is for us a question of life and death. There is no country whose common frontier with Persia is as long as ours; there is no country with whose people we are so closely bound [illegible] therefore Turkey must have a voice in Persian affairs. Neglect touches the [illegible] We do not think that the present strength of our country will allow us to be [illegible] with this policy of neglect, and it is as necessary for the other party to [illegible] not to make explanations and communications to the Sublime Porte as it was for Germany to make them. We are justified in expecting the communications which courtesy and friendship alike demand.—ISMAIL HAKKI.

1774 No. 2

[illegible] *Sir Edward Grey.—(Received January 16.)*

[illegible]

Munich, [illegible] 1911.

YOU have doubtless been informed from other sources of the [illegible] occasioned in the German press by the Chancellor's speech in the Reichstag on the 10th December with reference to the "Potsdam interview" and the comments thereon in the French and English newspapers.

The subject was worn almost threadbare before I arrived in Munich, and I h[illegible] [illegible] not thought it worth while hitherto to trouble you with any remarks upon it. [illegible] however, of the "Muenchener Neueste Nachrichten" contains a commun[illegible] from its correspondent at Berlin which bears indication of being officially inspired, and may be fairly taken to indicate the view which the German Government would wish the public to take of the results of the now famous interview, especially as regards its effect on their positions with Great Britain.

After some disobliging remarks respecting the attitude of the English, French, and Russian papers, and favourably comparing M. Sazonow's character as a statesman with that of his predecessor M. Isvolsky, the writer of the article goes on to say that it [illegible] to be wondered at that the standpoint of Russia in these negotiations has not [illegible] fully grasped by Russian diplomatists abroad or by the Chancelleries of London and Paris. The latter have sought to prove that the results of the Potsdam interview [illegible] exaggerated, and that both the Franco-Russian alliance and the Triple *Entente* remained unshaken. On the part of Germany these facts have never been contested but it is indeed true that Germany and Russia have come to an understanding [illegible] various questions, with the firm determination on both sides that neither Power should enter into any combination which is aimed against the other. If however, out of a long list of questions the affairs of Persia and the Bagdad Railway contract have been singled out for special comment by the foreign press it can only be because the idea that Russia should come to an independent understanding with Germany on these points is disliked in London, notwithstanding that not so long ago a united advance of the three Powers was planned. Russia is dealing at this juncture solely in the in[illegible] of her own commercial and political plans, and these interests happen to correspond exactly with those of Germany. But Germany is naturally also always ready to come to an understanding with England in regard to the Bagdad Railway, though obviously not on the basis of the pretensions categorically put forward by the "Daily Telegraph." To begin with, it may be observed that they would never be accepted by Turkey, for it must not be forgotten that the Bagdad Railway is a Turkish enterprise, carried out for the most part with German money, and that the Turkish Government, conscious of its own interests, will never hand over the important land section of the line to England. [illegible] Many other possibilities are, however, conceivable, and [illegible] [illegible] lon and Berlin have agreed, according to the statement of the [illegible] the 10th December, forthwith to enter on an amicable [illegible] tion of their respective interests, it may be hoped that here too a way may [illegible] find to bring about a solution satisfactory [illegible]

2068 [illegible]

Sir Edward Grey to Sir R. Rodd.

[illegible]

Foreign Office, January 16, 1911.

THE Italian Ambassador asked me to-day about the Russo-German negotiations at Potsdam.

I said that we heard from St. Petersburgh that these negotiations had made no change in the orientation of Russian policy, and I considered that nothing had happened that implied a regrouping of the European Powers, or that would impair our cordial relations with Russia.

The Ambassador enquired whether I was quite satisfied with regard to the Bagdad Railway.

I replied that the Bagdad Railway was only one thing, and it must not be regarded [illegible]

to the Bagdad Railway was, I hoped, the first step towards a general solution of the problem, and a solution was much to be desired.

The Ambassador then told me that he had sent to his Government a report on an article which had appeared in the "Daily News" recently on the subject of *ententes* with Russia and France, and which had excited much comment.

I said that the article had been brought to my notice. It did not seem to me to be very fortunately worded. It was certainly not inspired, nor did it represent the foreign policy of the Government. As a matter of fact the "Daily News" and some other newspapers on the Liberal side were [illegible] government. It was quite true that our un[illegible] defensive point against Germany, but th[illegible] impression that we were prepared to sacrifice some of our frien[illegible] or France in order to improve our relations with Germany. That we would never do [illegible]

Ambassador said that if Germany approached us on minor points of difficulty he supposed there would be no lack of disposition here to meet her.

I replied that we certainly wished to be on the best of terms with Germany ourselves, and rejoiced to see France and Germany and Germany and Russia on good terms. If Germany acted in good faith she could have the best relations with every Power in Europe. Difficulty had been caused in the past by what I called the "dregs" of the Bismarckian policy, the making of mischief [illegible] of one against another. But I did not say that this ex[illegible]

I am, &c.

E. GREY.

1958. No. [illegible]

Sir Edward Grey to Mr. Marling.

(Telegraphic.) P. *Foreign Office, January 17, 1911.*

IN December last the Turkish Minister for Foreign Affairs expressed a desire [illegible] to discuss with us the question of the Bagdad Railway. Rifaat Pasha stated he was [illegible] for the solution of the question. If, therefore, he refers to the [illegible] you may say that any proposals which the Porte has to make will at [illegible] the careful attention of His Majesty's Government. I do not wish [illegible] to be able to say that it is our unwillingness to discuss the question which prevents progress being made. I recommend to your notice as of use in this connection memorandum of the 23rd July 1910, com[illegible] Minister of F[illegible]

2081. No. 30.

Sir Edward Grey to Sir F. Bertie.

No. 28. Secret.

Sir, *Foreign Office, January 18, 1911.*

I GAVE M. Cambon today, verbally, the substance of my conversation [illegible] Count Benckendorff yesterday, omitting any reference to the det[illegible] Tehran-Khanikin branch [illegible]

M. Cambon took the same view as I did a[illegible] St. Petersburgh with regard to the Bagdad Railway [illegible] ever necessary that France and we should keep in c[illegible]

I concurred in this.

M. Cambon added that M. Sazonow had informed the French Ambassador in St. Petersburgh that, owing to the publication of the draft agreement, the draft would have to be set aside, and some time would be required to arrange matters. M. Cambon understood that M. Sazonow had said to Sir George Buchanan not only that time would be required, but that in the course of further discussion the arrangement with Germany might have to be extended, so as to embrace more than was comprised in the negotiations at Potsdam.

I added that M. Sazonow had said that only what related to the Bagdad Railway would be put in writing, and that whatever else there might be would not be in writing.

I then told M. Cambon that, if we received a proposal as to the Bagdad Railway from either Germany or Turkey, we would try to get the best possible terms in [illegible] with the section from Bagdad to the Gulf. But we would not make a [illegible] arrangement without consulting the French Government and keeping in [illegible] them.

M. Cambon asked me what arrangement would be possible, for he understood that we had told Djavid Bey that we could not agree to the conversion of the Gulf section into a Turkish railway.

[illegible] the contrary, we had told Djavid Bey that if the Gulf section [illegible] Turks would employ British engineers, materials, &c., an arrangement might be possible. As to Koweit, if the Turks would guarantee the *status quo* of the sheikh's position we would recognise Turkish suzerainty over the whole district.

The information that we were prepared to recognise Turkish suzerainty over [illegible] I to be new to M. Cambon. He said that a Turkish railway made by [illegible] engineers and British materials, with a British director, and a harbour [illegible] and managed by us, seemed to offer a possible solution.

I asked him what France would require.

He answered that the Bagdad–Homs line would be of no use until Mesopotamia [illegible] however, ask for the preference in [illegible] built. This he regarded as a rather [illegible] contingency. France would also ask for the junction of the Aleppo line with the Bagdad Railway; for the Samsun–Sivas line, and perhaps also some small railway in the north. After all that had passed, Russia ought to agree to this.

I said that in any case we must [illegible]

M. Sazonow held to his position with regard to the 1 per cent. increase in the Turkish [illegible] pressed upon M. Cambon that I did not wish to try to upset the arrangement which Russia had made with Germany. I wished M. Sazonow to make the best of it. If it were upset there would be a great deal of friction, and no one could say how far the consequences might extend.

M. Cambon said that we must look upon what had been done as a loss to be written off.

I am, &c.

E. GREY.

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49 No. 31.

Sir Edward Grey to Sir G. Buchanan.

[illegible]

Foreign Office, January 18, 1911.

I HAVE received your Excellency's despatch No. 497, Secret, of the 26th ultimo, reporting a conversation with the Russian Minister for Foreign Affairs relative to the draft agreement respecting Persia and the Bagdad Railway which has been submitted by his Excellency to th[illegible]

I approve the language used by your Excellency to M. Sazonow on that occasion.

I am, &c.

E. GREY.

1628. No. 32.

Sir Edward Grey to Sir G. Buchanan.

[illegible]

Foreign Office, January 18, 1911.

I HAVE received your Excellency's telegram No. 15, Secret, of the 14th instant, reporting your conversation with the Emperor of Russia on the occasion of the reception of the diplomatic body by His Imperial Majesty on the Russian New Year's Day.

The language used by your Excellency to His Imperial Majesty has my entire approval.

I am, &c.

E. GREY.

[2081

[illegible] Grey to Sir G. Buchanan

[illegible]

[illegible] Count Benckendorff to-day a short [illegible]

[illegible]

together with the Russian reluctan[illegible]

[illegible] had been that each of us might negotiate separately with [illegible]

[illegible] it would be well for [illegible]

[illegible]

that Germany did wish to get from Russia, and the fact that Germany h[illegible]

[illegible]

[illegible] the Russian [illegible]

Turkish customs d[illegible] connection at Khanikin

I did not [illegible]

[illegible] and I decl[illegible] would remain [illegible]

[illegible] another point on which I wished to comment. I gathered from what M. Sazonow had [illegible] that Germany might press for particip[illegible] Khanikin branch. It would be a very sore in matter if Germany [illegible] be used to the [illegible]

Germany-trained M[illegible] by Panslavism, but it might [illegible]

It was therefore most important that Russia [illegible]

Further I observed that the [illegible] originally that he would not discuss the neutral zone in Persia without first consulting us [illegible] part of it into his negotiations with Germany [illegible] with regard to this pa[illegible] that as part of the neutral zone h[illegible] dealt with in the agreement th[illegible] an embarrassment to Russia if we asked for her co-operation [illegible] concerning the [illegible]

[illegible] to Count Benckendorff that [illegible]gh I made these criticisms on t[illegible] Potsdam, I wished it to be clearly u[illegible] that I did no[illegible] them as affecting the general relations between Russia [illegible] remain as far as I was concerned as cordial and intimate as ever. Nor did I wi[illegible] k out of the arrangement which she had made, that would make her

[illegible]tions with Germany worse than before, and it would suit neither Russia nor us that [illegible]uld be on bad terms with Germany. What I did wish was that Russia should [illegible] her guard respecting the points to which I had called attention.

I also told Count Benckendorff that we must now as opportunity occurred make [illegible] terms we could with Germany or Turkey as to the section of the railway fr[illegible] the Gulf. It was most important that M. Sazonow should keep in rea[illegible] question of the 4 per cent. increase of Turkish customs dues, so that we might [illegible]te on this point. I was very glad to hear what Count Benckendorf[illegible] [illegible]at, and to learn from him how clear M. Sazonow's view with r[illegible]

I am &c.
E. GREY.

2243

[illegible] to Sir Edward Grey.—(Received January 20.)

Paris, January 19, 1911.

AT an interview which I had with M. Pichon yesterday I congratulated h[illegible] [illegible]lleney on his speech in the debate in the Chamber of Deputies on the Foreign [illegible]mates. He said that it was necessary to gloss over the proceedings of Sazonow at Berlin. In his anxiety to obtain some advantage for Russia the latter had neglected to communicate as he ought to have done, with the French and Brit[illegible] [illegible]ernments in regard to the Baghdad Railway question, and had tied his hands in [illegible]

I referred to the dissatisfaction which had been shown by the Turkish press at th[illegible] [illegible]cement between Russia and Germany, and M. Pichon said that he was not entirely [illegible] with that dissatisfaction, for when Naoum Pasha, the Turkish Ambassador [illegible] had expressed what he knew concerning the Potsdam interviews, he h[illegible] that all he could tell him was that they had dealt with Persia, and that it was not to be supposed that M. Sazonow had acceded to German desires in regard to Persia without some compensatory advantages which perhaps might not be consistent with the interests of other Powers. It would be for the Porte to consider what they [illegible]ght be.

M. Pichon further told me that, having heard that there might be modifications in the Russo-German agreement, he had plainly told the Russian Ambassador that in such event, and in any future cases in which French interests are involved, the Fre[illegible] [illegible]vernment expects to be consulted and kept informed by the Russian Government.

I have &c.
FRANCIS BERTIE.

[2350] No. 35.

Sir F. Cartwright to Sir Edward Grey.—(Received January [illegible])

No. 6. Confidential.
Telegraphic.) P[illegible]

Vienna, January 20, 1911.

I UNDERSTAND that the articles on the Potsdam interview which have been published by the "Tanin" newspaper at Constantinople have aroused some uneasiness [illegible] here. It appears that there is a tendency here [illegible]bly inspired by Germany) to attribute to Anglo-French intrigues the inspiration [illegible] articles. There is, I am told, an idea existing in the Ballplatz, or [illegible] quarters of it, to make the matter before long the subject of articles in the pr[illegible] though up to the present there has been nothing of the kind published. It is expected that Count Aehrenthal, who is now absent, will spend a few days here in the course of next week, when I shall hope to see him.

I have received the information contained in this telegram from a private and confidential s[illegible]

Foreign Office to India Office.

Sir,

Foreign Office, January 20, 1911.

I AM directed by the Secretary of State for Foreign Affairs to transmit to you, for submission to the Earl of Crewe, copy of a despatch from His Majesty's chargé d'affaires at Constantinople, enclosing a memorandum of a conversation which has taken place between Sir H. Babington Smith and the Turkish Grand Vizier.* Mr. Marling discusses especially the parts of the conversation relative to the Bagdad Railway and [illegible] t, and raises the question whether the time has not arrived when it might be [illegible] for His Majesty's Government to avail themselves of their acquired position at [illegible] t with a view to securing British participation in the Bagdad Railway.

Sir E. Grey concurs in the view that, having regard to the long-standing relations of His Majesty's Government with Koweit and to their close nature during the last few years, it would be impossible now to abandon the sheikh to the Turkish Government without incurring a disastrous loss of prestige. On the other hand, he recognises that a settlement of the question of Koweit can only be effected by include [illegible] arrangement concerning the Bagdad Railway. An indication to this effect was tentatively placed before the Turkish Minister of Finance on the occasion of his visit to England in July last, and for convenience and reference I am to transmit to you a co[illegible] of a memorandum which was handed to Javid Bey at the [illegible]

Even if it be deemed inopportune now to approach the Turkish Government, it appears expedient to form a conception of what shape a settlement of the Koweit question should take, so that His Majesty's Government might be ready if the question were suddenly forced upon them.

Sir E. Grey would suggest that, with a view to such a settl[illegible] be acceptable as part of an arrangement for British parti[illegible] Railway), His Majesty's Government might recognise the [illegible] [illegible] matters, as to which the sheikh is particularly jealous of foreign interference. The question might also be considered whether provision be made for the payment of a fixed tribute by the sheikh to Turkey, for which he might possibly recoup himself by [illegible] sen port dues on through traffic, the continuance of the tribute to be subject to the [illegible] e treatment of the sheikh in regard to his date groves in the vilayet of Bussorah [illegible] heikh has already virtually admitted Turkish suzerainty by accepting the title [illegible] ey does not anticipate that there would be serious difficulty in inducing him to assent to such an arrangement, especially as he is most anxious that the terminus of the railway should be at Koweit. A settlement of the question under discussion would probably only be satisfactory if it involved the control of the port by His Majesty's Government and the sheikh, thus excluding Turkish or German in[illegible] ference at Koweit in internal matters.

It is not possible to estimate what leverage, if any, the situation of Koweit gives Great Britain on the Bagdad Railway question until it is decided whether some such concessions as are above indicated can safely be made; but the main lever for the settlement of these questions will consist in the power of His Majesty's [illegible] refuse their consent to the proposed increase of 4 per cent. in the Turkish cu[illegible] and to the continuation of the 3 per cent. increase beyond the month of April 1911, when the consent already given to that increase will expire.

Sir E. Grey will be obliged if the Earl of Crewe will favour him with his observations on the points raised in this letter.

I am, &c.

LOUIS MALL[illegible]

[illegible]

St. Petersburgh, January 22, 1911.

RUSSO-GERMAN negotiations. Your despatch No. 19 of the 18th January.

(Secret.)

I saw M. Sazonow yesterday, and his Excellency told me that Count Benckendorff's report of his conversation with you had not yet reached him. I accordingly told him what you had said to Count Benckendorff.

M. Sazonow gave me quite satisfactory assurances with regard to the 4 per cent. [illegible] customs increase could not be discussed by the two Governments, as it was a question which concerned the general policy of Russia.

I regret that I cannot express the same satisfaction with the language held by [illegible] ia. He treated with ridicule the idea that Turkey could [illegible] t of her troops, pointing out that, [illegible] threaten, Russia was near at hand in the Caucasus and would always be able to prevent it. With regard to the question of the neutral zone, M. Sazonow added nothing to his previous arguments (which I have already reported [illegible] despatch No. 12, Secret, of the 10th January). From information which has [illegible] r source, I fear that his Excellency contemplates coming to [illegible] y the construction of the line from Khanikin to Tehran. Ger[illegible] ng him to alter the text of article 3 of the draft agreement in such a way as to render it less distasteful to Turkey. Count Pourtales, he said, had submitted a fresh version of the article in question, but its terms appeared to him too vague. [illegible] pointed out to M. Sazonow the danger of accepting any version of the article which might be open to two different interpretations, as had been the case with the text of attached.

[illegible] arrives I shall see M. Sazonow again, but I [illegible] difficulty in reconciling his Excellency's language to me on my first arrival here with these fresh concessions to Germany. On my arrival he gave me to understand that his consent to the demands of Germany with regard to the Bagdad Railway [illegible] g from Germany an assurance [illegible] ion of railway to the north of [illegible] the Persian and Russian frontiers, and by the fact that it was essential for Russia to avert any possibility of Germany securing the concession for the railway from Khanikin to Tehran. It now looks as if he was on [illegible] supposed to have won at the [illegible] him almost [illegible] sty-handed, unless, indeed, he has succeeded in obtaining some *quid pro quo* of [illegible] ch we are kept in ignorance.

2505.

Sir E. Goschen to Sir Edward Grey.—(Received January 23.)

No. 15.)

Sir,

Berlin, January 14, 1911.

IN his weekly review of international politics, Professor Schumann devotes a paragraph to the Potsdam conversations and the subsequent negotiations between the [illegible] an and Russian Governments. He says that nothing authentic is known of the Russo-German agreement beyond what was stated by the Chancellor in the Reichstag with the consent and approval of the Russian Minister for Foreign Affairs. Everything else was apocryphal, even though the alleged text of the agreement published in the "Times" [*sic*] might be not far from the truth. He adds that this publication is probably only the rough draft of an agreement which, through an astounding indiscretion, came into the possession of the great city organ from the Russian Foreign Office, but that the text cannot possibly be correct, as the Russian Minister for Foreign Affairs has stated publicly that the negotiations are still in progress, and that on their

conclusion the full text of any agreement which may be arranged will be published. Professor Schiemann then makes the following remarks —

"However this may be, one fact remains fully established, namely that Ger[illegible] will support no attack on Russia, by whomsoever made, and that [illegible] will take part in no aggressive action against Germany. If, the [illegible] as is stated, neither affects nor weakens either the Russo-French Alliance or t[illegible] Russian *Entente*, it follows, by irrefutable logic, that by [illegible] was Russia bound to support any ag[illegible] [illegible] other Powers. It stated, how[illegible] [illegible]ntained that the Russian alliance was to serve France in every possibl[illegible] circumstances, while in certain quarters it was found advantageous to attribute the same wide range to the conversations at Revel. Before M. Sazonow's time Russian statesmen saw no necessity to contradict this fundamental error, and on their shoulders must lie the responsibility for the anxiety with regard to the possible outbreak of a great European war which has for so long disturbed the public mind. The two Emperors and the leading statesmen of Russia and Germany have now found it more useful to explode this fiction and let the truth be known, and in taking this course they have rendered eminent service to the peace of the world. The sorry efforts to draw a veil over the truth which have recently been noticeable, first in M. Isvolsky's speech to M. Fallières and then in innumerable articles in the French, English and Russian press, have therefore signally failed without altering the fact that a defe[illegible] alliance exists between Russ[illegible] [illegible]ngland and R[illegible] [illegible], beyond the articles of the 8th April, 1904, any paragraphs of a [illegible]ling character directed against Germany, is not known, it seems, how[illegible] [illegible]y unlikely."

Another well-known publicist, Count Reventlow, has an article this week on [illegible] especially the Bagdad Railway.

In this article he begins by observing that now that even in France peop[illegible] [illegible]ed to realise, though perhaps somewhat against the grain, that the German agreement has strictly followed the lines indicated by the German Chanc[illegible] [illegible] the Reichstag, British public opinion [illegible] has been the corner-stone of British policy and designs in the Middl[illegible] Bagdad Railway in its relation to the Persian Gulf and Persia.

As regards the latter country, Count Reventlow expresses the opinion that, under present circumstances, the Anglo-Russian agreement, which divided Persia into three zones—Russian, British, and neutral—cannot remain much longer in its present form, and that with the advent of a more orderly state of affairs in Persia and with the growth of commerce and means of communication in the interior, its conditions must necessarily be relaxed. He argues that the British zone, created as such for political and strategical reasons, although the smallest and least important both as regards population and fertility, nevertheless contains the most important roads. That, on the other hand, the neutral zone which touches the Persian Gulf, contains the town of [illegible]as and the harbours of Bushire and Bunder Abbas, and includes the fertile and commercially valuable territory served by the caravan roads which connect the Russian zone with the Persian Gulf. He adds that the Persian Gulf itself is completely in the [illegible] of the English, and that the latter have a complete monopoly over the roads in [illegible] and that therefore the middle zone of Persia is practically anything but a [illegible]utral zone. He then points out that although His Majesty's Government have [illegible] deference to European public opinion modified their threat to "take into their own hands" the protection of the roads, the fact remains unchanged that the efforts of Great Britain are directed towards obtaining a commercial monopoly of the roads of Middle Persia, and thus dominate the trade of North Persia with the Persian Gulf as the basis of her operations. He then contrasts this policy, which he declares to be in direct contradiction to the principle of the "open door," with that of Russia, who, as regards her zone of influence, has given the required guarantees that that principle will be upheld. He then says:

"In the present state of railway construction in Persia and Turkey, Great Britain is able by means of her predominant position in the Persian Gulf to exercise a commercial influence over North Persia, and both a commercial and political influence over Middle Persia, a result which is entirely at variance with her arrangements with other Powers, and which distinctly clashes with the latter's interests. The consequence of her policy is, and must infallibly be, an increased and increasing solidarity between Germany and Russia in North Persia. Great Britain's position in Persia has accordingly been modified by the Russo-German agreement, a fact which explains the rumours which have been started, to the effect that negotiations are about to take place between [illegible] and Germany for an understanding as regards Persia. As was re[illegible] stated from the German side, and probably with truth, no such negotiations h[illegible] yet taken place; but that does not make it any less probable that Great Britain is desirous of coming to an understanding with Germany, not only as regards the comparatively unimportant Persian question, but more especially as regards the Bagdad Railway."

After pointing out that the Russo-German agreement has rendered it highly probable that the Bagdad Railway will be completed in about five years from now, [illegible] low mentions that an idea has been started in England and supported in [illegible] that the southern section of the line, from Bagdad to the Persian Gulf, should [illegible] that that portion of the line and the terminal inc[illegible] [illegible] under British control, and he adds that this pro[illegible] [illegible]tly regarded in England as the only natural and possible [illegible] Gulf question, and the only one which can be discovered [illegible] Governm[illegible] [illegible] Now then enters into a long dissertation on what he calls Lord Curzon's glacis theory respecting the defence of India, which he observes could only be carried out if the whole world were British.

He then points out that even if, as seems probable, the Bagdad Railway is carried to the Persian Gulf without any British participation, it will in any case not be under [illegible] harbour is chosen, will be, not a German, but a Turkish harbour. He adds that neither the construction of the line by Germany nor its ultimate possession by Turkey [illegible] have any political bearing on the Persian or Persian Gulf questions, it [illegible] to both land and sea trade, and as such it should be [illegible] whose proud boast it is that she is ever the pioneer of commerce, culture, and civilisation.

"Instead of this, we hear the demand from England that the terminal [illegible] of the Bagdad Railway must be British, and that the southern section of the h[illegible] [illegible]der British control! In other words, Great Britain, hitherto the loudest upholder of the *status quo* in Turkey, proposes to answer the purely commercial undertaking of [illegible] of the Ottoman Empire. It is the plain duty of all the Powers interested in the [illegible]ternal development of Turkey to prevent the realisation of Great Britain's designs, while Turkey, on her side, who must be fully aware of the consequences of such designs, must also put her shoulder to the wheel and make it perfectly plain to the world that the Bagdad Railway from beginning to end is in every sense Ottoman property."

[illegible] full account of Count Reventlow's artic[illegible] [illegible] present moment being held by the entire German press. It is impossible not to compare this language with the declarations so often reiterated by German statesmen that the Bagdad Railway is a purely German undertaking, and one which not only concerns the German financial houses who secured the concession, but one which has in the eyes of public opinion assumed the character of a great German national idea. It is also noteworthy that the present language should be so universally held so soon after the German Government has been discussing with that of Russia, and without, as is stated, any previous consultation with Turkey, plans for the construction of railways on Ottoman territory. The explanation is, I presume, to be found in the tel[illegible] [illegible] [illegible]rte has not been informed by [illegible] or Russia of what was passing between them.

[illegible] "[illegible]he Zeitung," which publishes this telegram, says, of course, that the [illegible] interest it is to sow dissensions between that country and Germany, and after stating

that the only result of the Russo-German negotiations as yet known is that Russia proposes to withdraw her opposition to the completion of the Bagdad Railway, and to the building of a branch line to the Persian frontier, points out that the withdrawal of [illegible] opposition is a distinct gain and in no way a disadvantage to Turk[illegible]

The article endeavours to console Turkey by observing that as yet the negotiations [illegible] not gone beyond the stage of "proposals," and that the mere fact that Germany [illegible] is a sure guarantee that Turkish interests will not suffer, as [illegible] in which Germany has handled the Cretan questi[illegible] [illegible]sche" points out, and here its argument is somewhat difficult to follow, that as the German and Russian Governments have promised to publish the result of their negotiations as soon as they have been consolidated into a definite agreement, there is no ground for any feeling on the part of the Turks that they should have been consulted beforehand or that their interests are being threatened

I have, &c.

W. E. GOSCHEN.

2489.] No. 39.

Mr. Marling to Sir Edward Grey.—(Received January 23.)

(No. 49. Confidential.)

Constantinople, January 17, 1911.

[illegible] honour to report that the Turkish Minister for Foreign Affairs [illegible] yesterday that the communiqué published in the [illegible] [illegible]ion of which I reported in my telegram No. 10 [illegible] y accurate version of the assurances given by the German Ambassador as to the scope of the negotiations in progress between Germ[illegible] and Russia as a result of the meeting of the Kaiser and Tzar at Potsdam [illegible] said that the Turkish Government had been very much disturbed by [illegible] of the "Evening Times," but that the explanations received from Baron von Marschall had quite relieved them of their first suspicions that Germany had been carrying on independent negotiations with a third Power on matters of vital concern to Turkey, and had acted in a manner derogatory to her dignity as an [illegible] I observed that one of the points in the agreement as reported by [illegible] was to the effect that Germany undertook not to c[illegible] railways in Asia Minor in the vicinity of the Persian frontier to the north of K[illegible] might I take it from his Excellency that Baron von Marschall [illegible] [illegible]tional of this? Rifaat Pasha replied that I might certainly do so, for, as a [illegible] fact, the Ambassador's explanations amount to a declaration that the discussion between the two Powers had been limited to two points, viz., the recognition by Russia of the policy of the open door in Persia, and an undertaking by her for the eventual linking up of the Persian railway system with the Bagdad Railway.

I am not, of course, aware what were the exact words used by the [illegible] Ambassador to convey this impression to the Turkish Minister for Foreign Affairs, [illegible] he has certainly shown remarkable skill in wording it, even if, when taken strictly *au pied de la lettre*, it contained nothing in flagrant contradiction with the actual facts as communicated to His Majesty's Ambassador at St. Petersburgh by M. Sazonow. If, however, Baron von Marschall had to make out the best case he could without [illegible] being too much in mere variety, Rifaat Pasha on his side was equally, if not perhaps more, interested in appearing to accept his explanation. Otherwise he would not have blinked the obvious criticism of the German explanations, viz., that apparently Russia was to get an *quid pro quo* for the concessions, which, according to Baron v[illegible] Marschall's statements, she was making to Germany. But the truth is that the present Cabinet has so far committed itself, under the pressure of the Salonica Committee influences, to a policy of rapprochement with Germany, that for it now to cavil at or show mistrust of the lame and tardy explanations which the revelations of the "Evening Times" have forced the German Government to concoct would be a confession of error, of which the Opposition would make considerable capital. The German Ambassador must feel that he is walking on very thin ice, and it will be interesting to note how he will extricate his Government from the much more embarrassing situation which would result if an authoritative statement of the re[illegible] facts, which M. Sazonow is stated to have promised, is given to the public. Meantime, the Turkish Foreign Office has to profess itself to be entirely satisfied, and the

committee press labours hard to blind the Turkish public to the real facts. The [illegible] of attitude of the "Tanin" are particularly significant. On the [illegible] and accepted the statements of the "Evening Times" as correct, for, [illegible] with suppressed irritation on Germany's neglect to consult Turkey as to the negotiations, he argues that the chief blame must after all attach to Russia, whose interests are chiefly served by the concessions made by Germany in Turkey. Two days later the "Tanin" only consents to discuss the question in the light of the [illegible]man Chancellor's statements, from which, however, in only half-convinced comfort [illegible] s drawn, while by the 16th the nimble pen of its editor is able to say that [illegible] [illegible] planation has served to allay the suspicions aroused by the [illegible] English press, while a statement made in the "Daily Telegr[illegible] [illegible] nglund had agreed that the Bagdad Railway should terminate [illegible] an English port" on the Persian Gulf is adroitly made use of to insinuate th[illegible] Baron Marschall [illegible] Great Britain. With equal ingenuity France is proved to be only less culpable than ourselves.

It was unfortunate that the "Times," in spite of the object-lesson of [illegible] experience to which its attention was specially called by its correspond[illegible] published in the same issue, should at this moment have published a leading article, [illegible] while discussing the prospects of negotiations on the Bagdad Railway with [illegible] there is not even a suggestion of the necessity of any reference to Turkey [illegible] (12th January). The opening was not lost on Hussein Jahid, who, on the [illegible] g with commendable accuracy the substance of the "Times" [illegible]ks, concluded with the followin[illegible]

[illegible] is no mention of us. It is as though w[illegible] Basorah or rulers of part of the Persian Gulf. In view of this open neglect of our rights, the German assurances not to enter into negotiations without the knowledge [illegible] of the Ottoman Government naturally take on another colour in our [illegible] [illegible]gland may have great interests in the Persian Gulf, when spoken of in this [illegible] English interests cause us no apprehension, but if English interests are put forward when an Ottoman railway is under discussion, there comes involuntarily the question whether those interests are to be sought in detriment to the Ottomans. Anyhow, these discussions show that the construction of the Bagdad Railway is a vital question for us. Let us once get to Bagdad, and the question will take on a different aspect.

[illegible] or complain[illegible] [illegible] of silence against Turkey between the four Powers, [illegible] of course Germany bears the smallest share of responsibility, and the [illegible]ity is taken by one or two papers to jeer at the inefficiency of Turkish [illegible]s and of the Foreign Minister.

It is perhaps worth mentioning that the Russian chargé d'affaires has told me with some little acerbity that the German Ambassador had not consulted him before making his explanations to the Porte, and, indeed, had never even mentioned the subject of the Potsdam discussions to him.

I have, &c.

CHARLES M. MARLING.

2490.] No. 40.

Mr. Marling to Sir Edward Grey.—(Received January 23.)

(No. 50. Secret.)

Constantinople, January 17, 1911.

Sir,

IN my despatches Nos. 14 and 15 of the 4th January I had the honour to submit some remarks on Young Turkey's views as to the policy to be pursued in Southern Mesopotamia, and on the connection in the Turkish mind between the settlement of the Koweit question and the arrangements for completing the terminal section of the Bagdad Railway.

I notice by the Government of India's telegram of the 1st December, enclosed in the India Office's letter of the 9th December, 1910, that the resident at Bushire

advocates the necessity "from the local standpoint" of publishing our agreement with Koweit and intimating to the Turkish Government our intention of making it [illegible] while also eliminating the anomaly of the Turkish flag ther[illegible] confine themselves to Katif and Ojair, and bringing about their withdrawal from El Bida'a, Jumah, Umkasr, and Rabujan.

I would venture to submit that, for the reasons in part set forth in my despatch No. 14 of the 4th January, the time has not yet come for such a drastic treatment of our outstanding difficulties with the Turks at the head of the Persian Gulf. As pointed out in Sir Gerard Lowther's No. 603 of the 22nd August, 1910, and in [illegible] the 4th instant, the Turks expect that in return for their making the arrange[illegible] desire concerning the Bagdad–Persian Gulf section of the railway, we shall restore them to complete sovereignty over Koweit. They attach immense importance to the latter point, and, should it ever be deemed expedient to accede to th[illegible] matter, such a solution might be made dependent on their resign[illegible] Bairam, El Katr, and everything south-east of Ojair. The oth[illegible] bargaining are the "Comet" and the Sepoy guard at the Bagdad consulate-general. But as long as Turkish constitutionalism is a mere travesty of popular institutions and is associated mainly with the state of siege and secret court-martials, any settlement on the above lines, implying as it would the delivery of Koweit to the tender mercies of committee rule, would seem to be exch[illegible]

Should the committee eventually prove unable to establish an orderly Government and the Empire be brought to a state of anarchy, as in Persia, it might become necessary to consider the expediency of openly proclaiming a protectorate over Koweit and its dependencies; but, in the meantime any whisper of our intention [illegible] such a course would raise a fierce storm both here and in Central Europe. [illegible] recent report in the "Daily Telegraph," which reached here through the [illegible]" to the effect that England was about to conclude an arrangement [illegible] that the Bagdad Railway should terminate at an "English port" in the Gulf, [illegible] Koweit, called forth very angry remarks in the "Tanin." The writer concludes his comments by stating that it is imperative to warn those who are working to establish foreign influence in Mesopotamia, "the oldest and most attached province of the Empire," that their schemes are vain and that "the mention of an English port in [illegible] be established to the detriment of Ottoman interests and territorial integrity, is the height of indiscretion."

I have, &c.
CHARLES M. MARLING.

24911 No. 41

Mr. Marling to Sir Edward Grey.—(Received January [illegible])

(No. 51. Confidential.)

Pera, January 17, 1911.

Sir,

WITH reference to my despatch No. 920 of the 29th ultimo, I have the honour to report that the Turkish Minister for Foreign Affairs yesterday again referred to the question of the Bagdad Railway, and stated that the Ottoman Ambassador in London would be very shortly furnished with instructions to approach you on the subject. His Excellency was, however, still unable to give me any details of the proposals which Tewfik Pasha was to lay before you.

I have, &c.
CHARLES M. MARLING.

1983 No. 42

India Office to Foreign Office.—(Received January 23.)

A PARAPHRASE of a telegram to the Viceroy, dated the 14th January, of which a decypher was sent to the Foreign Office on the 17th January, is enclosed, with the compliments of the Under-Secretary of State.

India Office, January 21, 1911.

Enclosure in No. 42.

The Earl of Crewe to Government of India.

India Office, January 14, 1911.

[illegible] See my telegram dated the 30th ultimo.

[illegible] sphere is made to run from Kakh to the frontier of Afghanistan at the latitude of Gazik, for purposes of article 4 of agreement between Germany and Russia, and a modification has been made in the agreement, to the effect that concessions in Russian sphere will not be sought by Germany without an under[illegible] with Russia being first arrived at. Practically, the result is to hand over to [illegible] and Russia whole of neutral section of frontier of Afghanistan. Admission on the part of Russia that Germany has an initiated right to seek concessions in remainder of neutral zone may also be read into agreement. I shall be glad to learn your views as to how our position is affected by this. Admission of Germany to participation in line from Khanikin to Tehran is apparently contemplated by Russian [illegible] about Bagdad Railway.

28891 No. 43.

Sir G. Buchanan to Sir Edward Grey.—(Received January 24.)

St. Petersburgh, January 24, 1911.

My telegram No. 18 of the 22nd January.

In a conversation which I had with M. Sazonow last night I took the opportunity of impressing upon his Excellency how important it was that Russia should keep the absolute control of the line from Khanikin to Tehran in her own hands. I pointed out how little he would have to show for the concessions made to Germany with regard to the Bagdad Railway if he now conceded this point and failed also to hold Germany to [illegible] agreements which he had asked for in the original text of article 3.

M. Sazonow replied that no settlement had yet been reached, but argued that in the event of his refusing to name a date for the completion of the Khanikin–Tehran [illegible] in suspecting that its construction would be [illegible] her hand, would be very [illegible] fixed period. I pointed out that he would be giving Germany a footing in North [illegible] to get control of this line, and I added that such a step might [illegible] and Germany in a serious conflict of interests. If an [illegible] Majesty's Government would be only too pleased, but at the same time I ventured to doubt whether too-ready compliance with all the demands put forward by Germany would achieve this desired result.

M. Sazonow expressed agreement, and said that he had told Count Pourtales only yesterday that he could not accept any material change in the sense of article 3, [illegible] he would be willing to consent to some modification of the text. His [illegible] said that a committee of military experts was to be entrusted with the examination of the whole question of these railways.

M. Sazonow mentioned later on the possibility of an arrangement whereby Russia should participate in the construction of the line from Khanikin to Tehran to the [illegible] but I fear that his views on this question are not very sound. [illegible] said to foretell at present what the final outcome of his negotiations with the German Ambassador would be.

[2883] No. 44.

Sir Edward Grey to Sir G. Lowther.

(No. 25. Secret.)

Sir,

Foreign Office, January 24, 1911.

THE Turkish Ambassador enquired on the 20th instant of Sir A. Nicolson whether you had been furnished with instructions to negotiate with the Turkish Government about the Bagdad Railway.

Sir A. Nicolson told Tewfik Pasha that His Majesty's Embassy at Constantinople had been informed that if Rifaat Pasha returned to that question His Majesty's Government would be happy to hear his views and to examine any project which [illegible] might communicate to them. Your Excellency had been supplied with no special instructions, and there was no intention at present of formally negotiating, as nothing [illegible] which to negotiate had been laid before His Majesty's Government by Rifaat Pa[illegible].

Sir A. Nicolson repeated, however, that His Majesty's Government would be v[illegible] glad to hear what Rifaat Pasha had to say, as they quite appreciated that the Turk[illegible] Government took a keen interest in a railway running through their territory.

Tewfik Pasha said that in the contract with the Germans the port and terminus of the railway on the Persian Gulf had been left open owing to the quasi-independent [illegible] of the Sheikh of Koweit, and Sir A. Nicolson observed that perhaps, ther[illegible] Rifaat Pasha contemplated discussing in regard to Koweit, and that the ears of His Majesty's Government were always open to what he might [illegible].

I am, &c.

E. GREY.

[2304] No. 45.

India Office to Foreign Office.—(Received January 26.)

A PARAPHRASE of a telegram from the Viceroy, dated the 18th January, of which a decypher was sent to the Foreign Office on the 19th January, is enclosed, with the compliments of the Under-Secretary of State.

India Office, January 25, 1911.

Enclosure in No. 45.

Government of India to the Earl of Crewe.

(Telegraphic.) P. *January 18, 1911.*

RAILWAY across Persia.

I have see your telegram dated the 14th Jan[illegible]

There is advantage rather than the reverse, I venture to think, in the extension [illegible] Russian zone for purposes of Russo-German agreement. A railway could [illegible]viously be built by Germany to any point on the frontier of Afghanistan between the intersection of the Russian and Afghan frontiers and Gazik. Now, an un[illegible] standing with Russia is necessary before this can be done. Our interest in the [illegible] joining Afghan frontier was expressly stated in the preamble of the agreement concerning Persia. If the object of the Anglo-Russian convention, viz., prevention of all cause of misunderstanding between Russia and Great Britain, is not to be frustrated, we have right to demand of Russia, in view of terms of preamble, that, in regions where the convention distinctly records our interests, she shall not agree to support the intervention of any third Power. It is an indisputable fact that in the rest of the neutral zone Germany has the right to seek concessions. In or[illegible] [illegible] disadvantageous effects to our political and strategic interests in Southern Persia, the only course open to us is to remind Germany of the assurances given by her to His Majesty's Government, and, when occasion arises, to repeat to the Persian Government our warning against granting any concessions by which our political and strategic interests in Persia may be prejudiced, and to threaten, if necessary, that steps to safeguard our interests will be taken.

2883 No. 46.

Sir Edward Grey to Sir F. Bertie.

No. 35.

Sir,

Foreign Office, January 26, 1911.

THE [illegible] Ambassador asked me last week whether any negotiations were in [illegible] between His Majesty's Government and the Turkish Government on the subject of the Bagdad Railway.

I informed his Excellency of the instruction to His Majesty's Embassy at [illegible] referred to in the conversation between Sir A. Nicolson and Tewfik Pasha which is recorded in the despatch copy of which is en[illegible]

I am, &c.

E. GREY.

3540 No. 47.

Sir Edward Grey to Sir F. Bertie.

No. [illegible]

Sir,

Foreign Office, [illegible] 1911.

THE French Ambassador read to Sir A. Nicolson on the 2[illegible] which he had received from M. Pichon reporting a conversa[illegible] the Russian Ambassador at Paris, in which he had intimated to M. Izvolsky that he hoped that M. Sazonow would keep the French Government informed of what might pass between the German and Russian Governments, so that the impression should not be produced that Russia was negotiating without taking France and Great Britain into her confidence.

M. Izvolsky quite agreed, and said that he would convey to M. Sazonow what had [illegible]

I am, &c.

E. GREY.

3230] No. 48.

Sir F. Cartwright to Sir Edward Grey.—(Received January 27.)

No. 11. (Most Confidential.)

(Telegraphic.) P. *Vienna, January 27, 1911.*

I AM informed very confidentially that the course which the present Russo-German negotiations are taking is causing a growing uneasiness at the Ministry for Foreign Affairs here, who are also apprehensive in regard to what took place at the Potsdam meeting. Any possible rapprochement between this country and Russia is considered to be retarded by the uncertainty felt in this respect, and by the delay shown in concluding the negotiations; for it is determined here that the pourparlers now proceeding [illegible] and Russia shall not be allowed to appear to be the origin from [illegible] an Austro-Russian rapprochement will evolve. The Ministry for Foreign Affairs here suspect M. Sazonow of playing a double game, and are not at all satisfied [illegible]

[illegible] was asked by Count Aehrenthal why the negotia[illegible] M. Tschirschky replied that the matters discussed required [illegible] careful consideration of Germany, as they went further than the points which had been disclosed in the "Evening News." It was thus Germany, and not Russia, who was causing the delay.

It is doubted at the Ballplatz whether the German Ambassador's reply was [illegible] made in order to conceal the fact that Russia is showing unwillingness to [illegible] negotiating with Germany.

A report has been received from the Austro-Hungarian Ambassador in St. Petersburgh stating that M. Sazonow, in reply to an allusion made by the Ambassador to the Potsdam interview, said that the anxiety shown in France on the subject would calm [illegible], and that Russia was mistress of her own policy.

[3278] No. 49.

Sir F. Bertie to Sir Edward Grey.—(Received January 28.)

(No. 50. Confidential.)

Sir, *Paris, January 26, 1911.*

I GAVE to the Minister for Foreign Affairs to-day an account of your conversations with the French and Russian Ambassadors, as recorded in your despatches of the 18th instant, viz., to me No. 28, Secret, and to Sir George Buchanan No. 19, Secret omitting any reference to the possible participation of Germany in the Tehran-Khanikin Railway, and avoiding any mention of Persia and the neutral zone. M. Pichon had received a full account from the French Ambassador in London of his conversations with you. He entirely concurs in all your observations to Count Ben[illegible] has already spoken to M. Isvolsky much [illegible]

M. Pichon's opinion is that M. Sazonow, from his want of experience in negotiation and his awkwardness, has been bested by the German Government, and has committed himself in the matter of the Bagdad Railway in a manner which is detrimental to the position of France and England in further negotiations on the subject, but he agrees with M. Cambon that what M. Sazonow has done must be written off as a bad debt, and the French and British Governments must now keep closely in touch with each other and keep M. Sazonow to his promises in regard to the additional 4 per cent. Turkish customs, and prevent him from making further backsliding.

M. Pichon then told me that, having learnt from the French Ambassador at St. Petersburgh that there was an inclination on the part of M. Sazonow to allow Germany [illegible] Khanikin to Tehran, he had instructed M. Louis to ret[illegible] M. S[illegible] and England in Persia [illegible] that the French Government could accept that Germany should [illegible] as a wedge between Russia and England.

I have, &c.

FRANCIS BERTIE.

3606] No. 50.

Mr. C. Greenway to Foreign Office.—(Received January 30.)

Steam-ship "Dwinka" [illegible]

Dear Mr. Mallet, *January 7, 1911.*

My [illegible] has been drawn to a recent "Times" telegram from St. Petersburg [illegible] with the German note of 1907, and the interview there and at between the Czar and the Kaiser at Potsdam. In this telegram it is stated that Russian opinion would probably not be unfavourable to the linking up of Khanikin with Tehran by a railway to be constructed at the cost of Russia.

[illegible] would, of course, by the ready communication which it would [illegible] between Tehran and Bagdad—the German railway to which would doubtless be [illegible] ly extended to Khanikin—give a very serious blow to British trade and to British interests in Southern Persia, as it would unless a competing line be built from the Persian Gulf, tap the most populous and fertile portions of Persia, and retard indefinitely any developments of trade at the Gulf ports.

Under these circumstances it is extremely desirable, from the point of view British interests, that the much discussed scheme of a railway connecting Mohammerah with Western and Central Persia should, if practicable, be brought to an issue at the earliest possible moment, and I am venturing to trouble you with this letter because it [illegible] German Chancellor, receiving the attention of the Foreign Office.

It is also one that interests me considerably, not only in my [illegible] director of the Anglo-Persian Oil Company, but as a partner in the firm of Lloyd Scott, and Co., which firm has now augmented its interests in the Persian Gulf trade by absorbing the Persian Gulf businesses of the firm of Messrs. F. C. Strick and Co. and also as a director of the Imperial Bank of Persia.

In these capacities I have given considerable [illegible] connection with the develop[illegible] enquiries, and of consultations with various persons, abroad and otherwise, who [illegible] acquainted with the conditions of the country and of its commercial potentialities, I have come to the conclusion that the construction of a railway from Ahwaz on the Karun, via Shustar, Dizful, and Burujird, to, say, Sultanabad, which would give easy [illegible] communication to Kermanshah, Hamadan, Ispahan, and Tehran, would probably [illegible] ve and economical means of protecting British interests in the Gulf, [illegible] at the same time be the most complete block to German aggression, via the [illegible] Railway.

[illegible] h a railway would not be costly. I have not maps or figures before me, but [illegible] would certainly not be more than 2,000,000*l.* to 3,000,000*l.*, and I am [illegible] cials and others who are well acquainted with th[illegible] only tap practically the whole of the trade now carried between Persia and Bagdad [illegible], practically nullify the objective of the proposed Russo-German Khanikin lines, but also open up a large and new export trade in cereals from the districts around Burujird, Kermanshah, and Hamadan, which is now quite impracticable owing to the prohibitive cost of transport, and which would not even be open to the suggested [illegible] al route because of the high river freight from Bagdad to the Gulf, [illegible] o Bagdad; (2) that it would in all probability be highly remunerative, and (3) that it would practically ensure to the British sphere the whole of the trade of Central and Northern Persia not secured by the Caspian, and also open up in competition with Russia a large amount of trade [illegible] and other manufactures.

[illegible] however good its prospects may be cannot, [illegible] be without a guarantee of some sort, because of the [illegible] ty of the country. In the case of the Anglo-Persian Oil Company the guarantee was provided by the Burmah Oil Company because the potential gain of the concession were commercially and the benefits accrued to them only. In the case of the suggested railway, however, there are no such inducements, and [illegible] guarantee must come from a Government source. I have been giv[illegible] that the Russian Government are disposed to guarantee the interest on the capital [illegible] the Russian portion of the proposed trans-Persian Railway, and according [illegible] tel gram they are willing to do the same for the Khanikin [illegible] to any chance of this difficulty being similarly overcome, either directly or [illegible] in the case of a British Ahwaz Sultanabad Railway in the event of a [illegible]

If so, the powerful financial groups which I represent would, I am sure, give their heartiest support to the furtherance of this scheme, and I could take up the matter on [illegible] ing visit to Tehran where I expect to arrive at the beginning of March reasonably there would be little difficulty in securing the concession, or the Russian assent thereto, as a *quid pro quo* for British assent to the Khanikin concession.

Please do not trouble to reply to this letter otherwise than by communicating your views to Sir George Barclay, whom I shall be calling upon immediately after my arrival.

Mr. Norman has doubtless mentioned to you that I am visiting Tehran with the [illegible] endeavoring to bring to a conclusion our outstanding negotiations with the [illegible] ernment for the loan of 100,000*l.*, and the mining concession, and also of [illegible] various questions in dispute in connection with telephone line, barges on the Upper Karun, customs duties, &c. At the same time I shall also arrange for the appointment of a permanent agent for the company in Tehran—probably Mr. Brown, of the Imperial Bank of Persia—in pursuance of Sir George Barclay's recommendation.

Yo[illegible]

C. GREENWAY.

3433 [illegible]

Sir G. Lowther to Sir Edward Grey.—Received January 30.

(No. 2.)

Sir, *Pera, January 23, 1911.*

RIFAAT PASHA said to me to-day that he and the Government were anxious to [illegible] what was possible with a view to bringing about a disappearance of the policy of "laissez-faire" between Great Britain and Turkey. His language was similar to that

used by him to Mr. Marling, as recorded in his despatch No. 918, Confidential, of the 20th ultimo.

I said I was entirely with him in the matter, but I should like to have some [illegible] what he meant. There had been no sulking on our part. It was true [illegible] had had to make some serious complaints of the way our subjects had been treated at Bagdad and elsewhere by the officials of the new régime, but I have also endeavoured to make the settlement of these cases as easy as possible for the Turkish [illegible]ment. We had also had to complain of certain acts of aggression and breaches [illegible] *status quo* in the Persian Gulf, and it yet seemed doubtful whether the promises of the Porte had been carried out in this direction. It was the Turkish press and in some cases Turkish members of Parliament who had used language [illegible] reat Britain, and this had [illegible] bitter [illegible] I could not see of what the Turkish Government had to complain. Did his Excellen[illegible] allude to the loan which, in circumstances to which it was unnecessary now to return, had not been concluded in England? I could not imagine where Turkey could find a grievance against us. If he alluded to the paucity of British financiers, concessionnaires, and competitors for orders who now came to Turkey, I must admit that there had been some disappointment felt by such. Many had been called, but few had been chosen. They had found business ties here somewhat cumbersome, minute delay and in the end the margin of profit so small that they were hardly compensated for the expense and trouble, even if successful, in obtaining some small orders.

Hilmi Pasha was unable or unwilling to be more precise, but he said that the friendship of the mass of the people of this Empire had always been very marked in favour of Great Britain, and any Minister who wished to initiate an anti-British policy could not live a day. I replied that I had always believed that this [illegible] therefore it struck me as especially extraordinary that the G[illegible] little energy on settling matters in which our right was un[illegible] severe criticism of General Nazim, who, he said, imagined that the check had been set [illegible] trouble at Bagdad, his Excellency [illegible] one for the conclusion of some arrangement [illegible] the Bagdad Railway. I replied that I was convinced you would be glad [illegible] as we had been awaiting his Excellency's proposals since last summer, whe[illegible] led me to believe that he was on the point of submitting them [illegible] t was con[illegible] his Excellency said he thought the Persian Gulf [illegible] and to attach importance would be [illegible] r I could give [illegible] regarding the B[illegible] further consultation with the Grand Vizier was n[illegible] a very soon. In regard to this matter he said he was quite sure that we had [illegible] on of our doing matters with Germany without the knowledge of the Ottoman [illegible] vernment. I said that this was so, and in proof of this I reminded him that I had more than once last summer told him that we were expecting the proposals he had promised us.

Though Hilmi Pasha has been speaking to Mr. Marling in a similar strain, there can be little doubt that the recent publication of the Potsdam negotiations has had the tendency to induce the Turkish Government to desire to negotiate directly with us, and to show the people of the country that arrangements of this nature cannot always [illegible] and hold behind their backs.

His Excell[illegible] pronounced regression, and, although Baron Marschall had sta[illegible] no truth whatever in § 3 of the published version, the Tur[illegible] had led his Excellency to believe that in the [illegible] what had taken place.

His Excellency made no reference to any absence of a Russian denial here.

I have, &c.

GERARD LOWTHER.

[3401] No. 52.

Sir G. Buchanan to Sir Edward Grey.—(Received January 30.)

(No. 25. Secret.)

[illegible]

THE conversations which I have had with the Minister for Foreign Affairs during the past fortnight, and the language held to me by the Emperor on the Orthodox New Year's Day, confirm me in the belief that neither His Majesty nor his Foreign Minister contemplate giving any new direction to Russia's foreign policy. More than this it would be dangerous to say at the present moment, as it is impossible to predict what will be the final outcome of the negotiations now proceeding between M. Sazonow and the German Ambassador. Those negotiations are being protracted [illegible] when the for[illegible] I obtained at such [illegible] simple matter to record the [illegible] as in a diplomatic net, and when I first arrived at St. Petersburgh he spoke of three weeks as being sufficient for the purpose. Nearly two months have now elapsed, and the end seems as far off as ever. It would indeed almost appear as if the language held by the German Chancellor at Potsdam has been purposely pitched in the softest of keys, so as to encourage M. Sazonow in the belief that he was about to score a diplomatic success, and thus to induce him to enter into negotiations from which he could not withdraw without risking the loss of his personal pr[illegible] Excellency, however, soon discovered to his cost that the assurances which he had given in the course of his conversations with M. Bethmann-Hollweg and M. [illegible] were being given rather a larger interpretation than he had in[illegible] W[illegible] and tak[illegible] he had lived on a daily diet of learning that Germany had secured the concession for the Khanikin-Tehran Railway. In order to avoid this he had been forced to meet [illegible] Railway, though he had been careful not to pledge himself as to the term in which the latter was to be linked up with the future North Persian Railway system. It is curious to compa[illegible] the language which he has recently held now that Germany is insisting that a defi[illegible] term shall be fixed for the construction of the line connecting Khanikin with Te[illegible] Germany, he explained to me a few days ago, was naturally anxious to secure an "ope door" by which her trade might enter Persia, and could not be put off with a vag promise that the railway necessary for this purpose would one day be built. He coul not, consequently, refuse to specify the date at which the line should be constructed, [illegible] y expenditure he did not wish to [illegible] e building operations as soon as the line [illegible] Why not therefore let the Germans the sooner [illegible] railway which was to give them access to the Persian markets? Such an [illegible] t would, he thought, be more acceptable to public opinion in this country [illegible] pital on an undertaking which could only prove to [illegible] way would [illegible] trol the railway. I also repeated to him what you had said to Count Bunckendorff [illegible] pecting the danger of the line being used in times of pan-Islamic excitement for [illegible] sport of Mussulman forces, and reminded him that when I had mentioned the [illegible] to him on a former occasion he had told me that the railway would be virtually [illegible] he control of Russia. I added that if he now handed over the railway to [illegible] ed if he further all[illegible] ch a way as to enable Germany [illegible] truction of any railways to the north of Khanikin, I failed to see what he would [illegible] obtained from Germany in return for all the concessions which he had made with regard to the Bagdad Railway.

I ought perhaps to explain that, in order to avoid useless repetition, I am summarising the various conversations which I have had with M. Sazonow during the past fortnight, and that his Excellency is very prone to shift his ground. While he has consistently treated the danger to which you called Count Bunckendorff's attention as a purely imaginary one, he has not been equally consistent in the arguments to which he has had recourse in order to disprove its existence. More than once he has

contended that neither the Sadjeh-Khanikin nor the Khanikin-Tehran Railways will ever exist except on paper, and that all that the German Government is aiming at is to obtain some assurance from Russia which will satisfy public opinion at home that everything is being done to safeguard Germany's economic interests in Persia. On this occasion, however, he adopted an entirely different line of argument. Russia, he said, was close by in the Caucasus, and we therefore had nothing to fear, as on the first indication of such a danger she would at once send her troops to Tehran. This remark is very characteristic of the light-hearted manner in which he [illegible] regards the very serious consequences which the engagements that he is now about to take may eventually entail. It was in much the same spirit that he recently said to me that we could always oppose the construction of the final section of the Bagdad Railway by sending a [illegible] to the Gulf.

[illegible] conversation which I reported in my telegram No. 19, Secret, of the 24th instant, I endeavoured once more to impress on him the importance of keeping the absolute control of the Khanikin-Tehran Railway in the hands of Russia. Were the Indian Government, I said, to learn that Germany was to acquire the right to construct and control that line, they would be far less likely to take a favourable view of the trans-Persian railway scheme. It was, moreover, surely not to the interests of Russia to give Germany a footing in North Persia which might undermine Russia's influence at Tehran and occasion serious friction between the two Empires. His Majesty's Government, I added, would be only too glad were the negotiations now proceeding to result in an arrangement satisfactory to Russia, but I ventured to doubt whether [illegible] compliance with all of [illegible]

M. Sazonow did not attempt to refute these [illegible] arguments, and acquiesced entirely in my last remark. He had, he said, informed the German Ambassador on the previous day that, while ready to consider an amended text of Article 3, he could not entertain any proposal that would in any way weaken the material effect of that article. It is satisfactory to know that on this point, at any rate, M. Sazonow proposes to take a firm stand, and it is not improbable that pressure is being brought to bear on him by the military authorities, who will, as he tells me, have to examine the railway question from the strategic point of view. As regards the question of the control of the Khanikin-Tehran line, I fear that his Excellency is far from sound, though the last thing which he said to me on the subject was [illegible] able to arrange that Russia should participate to the extent [illegible] section, and that [illegible]

I think, he has not in any way committed himself in the question of the Turkish customs dues. He has always told me that the [illegible] article 1 of the draft agreement that no pecuniary sacrifice was to be required from Russia was specially inserted in order to leave her a perfectly free hand with regard to this question. He has also informed me that he had explained at Potsdam that, as this was a question which concerned Russia's general foreign policy, it could not form one of the subjects of discussion between the two Governments. He has more than once tried to argue, in defence of the [illegible] he has taken not to oppose the realisation of the Bagdad Railway, [illegible] Russia, [illegible] France has ever directly opposed that scheme, and that they have only offered it a negative opposition by declining to give it their financial support. As the proposed [illegible] cannot be enforced without their consent, they still [illegible] a very effective weapon for opposing the completion of the [illegible] He mentioned to me the other day that he had heard that [illegible] project for a railway from Mohammerah to Khanikin, and he strongly advised us to give it our support. It could, he believed, be built entirely on Persian territory, and its construction might prove fatal to the continuation of the Bagdad Railway beyond that town. I said that I had never heard of the projected railway, but that I rather doubted whether, if it were constructed, the Germans would ever renounce the idea of bringing the Bagdad Railway down to the Gulf.

I have, &c.
GEORGE W. BUCHANAN.

P.S. Since writing the above Mr. O'Beirne has called my attention to his despatch No. 436, Confidential, of the 2nd November last, in which he reported the suggestion made by M. Izvolsky that Russia should agree that, if she did not construct the Khanikin-Tehran Railway within a specified number of years Germany should regain

her liberty of action in the matter. As I was dining with M. Sazonow [illegible] I asked him whether he thought it would be possible to amend article 2 in the sense that if, when the line from Sadjeh had reached Khanikin, Russia had not commenced the construction of the Khanikin-Tehran line, she should come to an understanding with Germany for a joint construction of the latter railway. M. Sazonow replied that he had only yesterday been considering whether an arrangement of this kind might not be possible, but that he rather doubted whether Germany would consent to it.

G. W. B.

[3414 [illegible]

(No. 19.

Sir, [illegible]

THE German press continues to be very active [illegible] German negotiations and the version of the Russian proposals published in the [illegible] of most of the articles written on the subject is that the negotiations have without doubt gone very much in favour of Germany; that, whatever the French and English papers may write, this solid fact cannot be altered, and that the only hope left to those responsible for the misrepresentations [illegible] published in those newspapers is that they may be able to create mistrust to Germany [illegible] naturally interested in what has passed between the Russian and German [illegible] fact displayed an almost feverish anxiety to allay any feeling which these negotiations may have produced amongst the Turks, and to show that if such a feeling exists it is entirely due to the manœuvres and the misrepresentations of the French and British, and to a certain extent the Russian press.

As you will see from the enclosed translation of a leading article of the "Cologne Gazette," which has every appearance of being officially inspired, this note is still being sounded, although pains are taken to show that owing to the frank explanations given by the German Ambassador at Constantinople these manœuvres have failed, and the uneasiness felt by the Turks has nearly if not entirely disappeared.

The article is also not without interest from the point of view of the arguments [illegible] it produces to show that while the Bagdad Railway is and must always be an internal Ottoman concern, Germany is interested in it and feels bound to take whatever steps she can to push it on, partly because it [illegible] German trade and commerce, but also because it will strengthen [illegible] importance both to Germany and the world in general. [illegible] in the manner in which this question is regarded by sensible people in Germany, and that [illegible] to be hoped that there will be no more nonsense talked of Germany's territorial and other ambitious schemes in Mesopotamia which [illegible] of German chauvinists as to the malevolence of the foreign press.

I have also the honour to enclose a translation of an article in the "Frankfurter Zeitung" of yesterday. I am unaware whether this article is inspired or not, [illegible] may in any case be of some interest to you as being an example of the way in which the question of the accuracy and the origin of the "Evening Times" publication is being treated in the German press. If the article does emanate from the Imperial Foreign Office it is interesting to note the statement which it contains, to the effect that when the real agreement comes to be published it will be seen that it is far more favourable to German interests than the apocryphal draft proposals would lead one to suppose.

I have, &c.
W. E. GOSCHEN.

Enclosure 1 in No. 53.

Extract from the "Kölnische Zeitung."

[illegible]

GERMANY AND TURKEY

[illegible] of the Turkish Chamber as to the much discussed communica- [illegible] "Evening Times" of the contents of the Potsdam agreement have had a thoroughly satisfactory issue. The Minister for Foreign Affairs was able to reduce the [illegible] ghish paper to their real importance, and to prove that [illegible] thought of challenging the just claims nor injuring the susceptibilities [illegible] Ottoman people. It is to be hoped that public opinion in Turkey will now be reassured; it was no doubt stirred by a great excitement produced [illegible] tain European papers in systematically exciting the public against Germany. Our [illegible] nd friends must be congratulated on the cleverness which they displayed. The [illegible] g that is being displayed in Turkey was bound to be wounded by the news that Germany had come to an agreement with Russia about the internal affairs of Turkey. This piece of news was intended to disturb the good relations existing between us and Turkey. Only it was once more proved that lies have short legs, and not only the Porte but also the cooler political circles in Constantinople could reassure themselves that Germany had not been desirous of interfering in matters which do not concern her.

In article 3 of the supposed Russo-German agreement Germany was, per[illegible] according to the "Evening Times," to have undertaken to build no railways in another zone except the line from Bagdad to the Russian frontier and that from Khanikin to North Persia, and to lend no material or diplomatic aid to similar undertakings in that zone. To put this somewhat obscure reading in the right light, our good friends [illegible] ared that the zone in question was Turkish East Asia Minor. A look at the map will show that this territory does not at present possess any railway lines. Neither Erzeroum, the important frontier fortress facing towards Russia, nor Erzindjian, the westerly and most important garrison, of the part of the world and, according t[illegible] ld division of the army, the seat of the general command of the IVth Army [illegible] posed either to one another or to the coast. No railway runs from [illegible] parts as far as Samsun and Trebizond to the interior, and the last station in the [illegible] the distant Angora, where the Anatolian Railway ends. Under the old [illegible] head of which, Abdul Hamid, was altogether opposed to railways running [illegible] g in harbours, Russia succeeded, by [illegible] Porte to an agreement prohibiting the construction of [illegible] of the Black Sea unless the construct[illegible] Russian enterprise [illegible] impossible, the [illegible] laying of railways which would strengthen [illegible] litary point of view. By the down[illegible] erected. Young Turkey is now busying herself with prepara[illegible] with the aim of developing the land near the Black Sea and of forming a connection through Asia Minor with Angora and the capital. By this means provinces containing [illegible] mineral treasures would be placed in a position to send their products to the [illegible] national market, out of the way districts would be drawn nearer to the seat [illegible] central government, and troops could be quickly dispatched from [illegible] to the eastern frontier who at present would spend several weeks on the march, and the event of a conflict with Russia would in all probability arrive too late.

There is, of course, the aforesaid agreement in ex[illegible] Russia. Germany has neither the right nor the desire to trouble [illegible] which the Porte undertakes for Turkey. Such questions must be d[illegible] Ottoman Government's consciousness of its own power and it may be assumed that Young Turkey would at the present time not conclude such a treaty. In any case, however, the subject is one which does not concern us, and calm reflection must from the outset have made all alarmist reports concerning German intervention [illegible] doubtful. The Ambassador, Baron von Marschall, was also in a position [illegible] he Turkish Minister for Foreign Affairs that there can [illegible] tion, and, after the discussions in the Ottoman Chamber have been co[illegible] view will, we hope, prevail. But one must not count upon it too confidently, [illegible] against Germany has been carried on among the Turkish people for

[illegible] h such invidious methods that it is very difficult [illegible] end to it. In this connection it may be remarked that the Anatolian [illegible] present ends in a branch in Angora, has no concession for a continuation eastwards to Sivas, Erzindjian and Erzeroum, as is often supposed. The truth is that this line in 1893, at the time that permission was g[illegible] line from Eski Shehr to Konia, received also a concession for the [illegible] towards Kaisarieh, which lies to the south east. This section is about 400 kilometres long and the kilometric guarantee is fixed at 17,600 fr[illegible] Whether this line will be built in a measurable space of time remains to be seen. This section is not included in the [illegible] Turkish Convention, and the net[illegible]

[illegible] also Germany is only just not in watching over [illegible] as in so far as she ensures the protection of [illegible] y interested in this gigantic undertaking. We [illegible] on that the Railway Company is an Ottoman [illegible] subject to Turkish law. The building is an internal concern of Turkey's [illegible] kilometre added to the line of rails which stretches out from Asia Minor towards Mesopotamia and the Persian Gulf means more strength to the power of the Porte in districts where her force up to the present has rested on but weak foundations. Waste lands, which were formerly thickly populated, can again be brought under cultivation, the mobilisation and transport of troops will be made easier, the whole Empire's p[illegible] and offices will be raised. All these things interest Turkey but Germany, [illegible] the other hand, is only interested to the extent as to how far the new Ottoman State will be capable of developing and assuring her independence and how she will acquire [illegible] essary strength for that purpose. The stupid talk of German schemes of [illegible] nation in Mesopotamia which has unfortunately been aggravated by mud[illegible] the part of irresponsible and for the most part badly informed German chauvin[illegible] gradually paraded of its innate absurdity, and nothing but malevolence can revive it. In spite of this, German diplomacy is bound to promote with all its [illegible] tension of the Bagdad Railway, because it offers peaceful participation to [illegible] A[illegible] and it must be the task of our Government to open doors better to closest [illegible] In this lies the German interest in overcoming [illegible] which the construction depends, and a policy of land acquisition or of [illegible] ming undue influence in these districts to the detriment of Turkish rights is totally out of the question.

Enclosure 2 in No. 53.

Extract from the "Frankfurter Zeitung" of January 23, 1911.

WHEN, on the 6th January, that mysterious publication as to the alleg[illegible] of the Russo-German Potsdam agreement appeared in the "Evening Times" the object of the trick was at first not quite clear even to those who immediately recognised the clumsy forgery. Was it merely a question of a journalistic sensation with no other object than momentarily to rescue a little known paper from oblivion? Or did some interested diplomacy play a false card, in order to darken the clearness of the situation? All signs pointed to Paris, where the semi-official "Agence Havas" quickly put the false coin in circulation through the Paris papers, and all explanations were excluded [illegible] the interpretation of the "Novoe Vremya," according to which German diplomacy and the German semi-official press has resorted to the premature publication of the agreement in defiance of the understanding come to in order to exercise pressure on the still hesitating Russian neighbour. The veil was lifted a little when it became possible to observe the effect of the sensation and to draw conclusions from it; immediately after the "Evening Times" publication there appeared in the "Taan," which is in close touch with the Turkish Government, articles which not only ascribe to the authenticity of the text of the Russo-German agreement, but, moreover, gave to that text in some places an interpretation not justified by the wording. The articles showed a serious feeling of alarm lest Turkish interests might be adversely affected by the agreement, and a feeling of discontent that Germany was negotiating with a third Power about Turkish interests without obtaining Turkish consent. It was now clear, those who were jealous of the Potsdam agreement had laid the train in such a way that

As regards the reasons given to you by M. Sazonow for the inclusion in the part of Persia dealt with in the draft agreement of a portion of the region left ne[illegible] e Anglo-Russian arrangement respecting Persia, you should inform [illegible] that I appreciate the reasons which have led him to follow this course, especially [illegible] I rest assured that the Russian Government would not support the requests of third parties for concessions in that reg[illegible]ent to such requests being made without previous consultation with His Majesty's Gov[illegible]

[3724] No. 56

Edward Grey to Sir G. Buc

(No. [illegible])

Sir, *Foreign Office, January 31, 1911*

COUNT BENCKENDORFF asked me to-day whether I had any further information as to the Russo-German negotiations.

I said that I had now heard that M. Sazonow thought it possible that he might be pressed by Germany to agree to make the Khanikin connection within a definite time. If this was so it might be convenient to ease the financial burden which would be imposed on Russia by getting Germany to undertake the construction of the line from [illegible]ran to Khanikin. Germany had now joined categorically to the Turkish Government the provision of article 3 of the draft which had become public, binding her not to make any railways in Asia Minor north of Khanikin.

The urgency of preventing Germany from getting concessions for railways in Northern Persia had been pleaded by M. Sazonow originally as the necessity for promoting the Khanikin junction. The promise of Germany not to apply for railway concessions in Northern Persia and to refrain from making railways north of Khanikin in Asia Minor, had appeared to be the *quid pro quo* which Russia received for the succession she had made. It looked now as if the *quid pro quo* was disappearing altogether, and generally the negotiations seemed to be in a very bad state.

Count Benckendorff was evidently not satisfied by the prospect, and asked whether I had said anything at St. Petersburgh.

[illegible]plied that I felt that the construction of railways in the northern part of As[illegible] and in the north of Persia was a matter which concerned the Russian Gover[illegible]more than us. The point which I regarded as one for me to press at [illegible]gh was that the Russian Government should keep themselves free to [illegible] support, when necessary, to secure reasonable terms respecting the Bagdad Railway [illegible]tal thing in this connection was the consent to the 4 pe[illegible] Turkish customs dues. It would be disastrous if M. Sazonow were to [illegible] the course of his negotiations.

Count Benckendorff said that he assumed that it was out of the question that this point should be given up.

I [illegible]

GREY

3856. No. 57

Sir F. Bertie to Sir Edward Grey.—(Received February 1.)

No. 4. (Secret and Telegraphic.) P. *Paris, February 1, 1911*

RUSSO-GERMAN negotiations.

In the course of an interview with the Minister for Foreign Affairs to-day his Excellency showed to me a telegram which he had received from the French Ambassador at St. Petersburgh, reporting a recent conversation with M. Sazonow. According to this account M. Sazonow informed M. Louis that he hoped it would be found possible to conclude an agreement with Germany. The Russian Government, however, considered that on military grounds they must insist as a *sine qui non* on the maintenance of article 3 of the draft agreement, by which Germany undertook not to construct railways between the Bagdad line and the Russian and Persian frontiers, nor to support applications for the construction of such lines. M. Sazonow further said that exaggerated statements had been made as to the importance of Russian commerce in the north of Persia; that there was no intention on the part of the Russian Government or of the Duma of repeating the blunders connected with the Manchurian and Eastern Chinese Railway, and they would not be prepared to make pecuniary sacrifices to secure the construction of the Tehran Khanikin Railway; that as the Germans regarded this railway as an essential part of the agreement it would [illegible]dably be found advisable to permit its construction by Germany, or to reserve a [illegible] per cent. share in it for Russia, which would give to the Russian Government [illegible]olling interest in the line. This latter alternative would be the best if means could be devised for finding the funds necessary without involving any charge on the Russian Government.

M. Pichon appears to be much perturbed at t[illegible] between Germany and Russia, and he told me that he [illegible] to the Russian Ambassador on the subject. His view is that s[illegible] necessary to allow Germany to participate in the construction of railways in Northern Persia, she should only be permitted to do so on condition that other Powers, including France, also cooperated.

3943. No. [illegible]

Sir F. Bertie to Sir Edward Grey.—(Received February 1.)

(Extract.)

P. *Paris, February 1, 1911*

RUSSO-GERMAN [illegible]

[illegible] preceding telegram of to-day's date, I have the [illegible] to report that I met M. Pichon at a dinner-party this evening, when he told [illegible] that he had read to the Russian Ambassador the telegram from M. Louis reporting [illegible] conversation which he had had with the Russian Minister for Foreign Affairs. [illegible]lvolsky was, however, not able to furnish any satisfactory explanations in the [illegible]er. M. Pichon reminded him that, with a view to supporting the policy of Russia, the French Government had abstained from putting forward any applications for [illegible] for the Persian Government services, and he said that he would not be able to justify before Parliament the attitude adopted by the French Government if their abstention were to result in the introduction of Germany as a wedge between Russia and England. M. Sazonow, he added, had failed to communicate with the French [illegible]ernment in any way before he committed himself with the German Government, [illegible] the present position of affairs was most unsatisfactory. His Excellency suggested [illegible] the Russian Ambassador, as a personal idea on his part, that it would be better that the Khanikin Tehran line should be constructed by a Russian, German, French, and British combination rather than that it should become a purely German or a Russo-German undertaking.

In regard to this suggestion I stated to M. Pichon that the Anglo-Ru[illegible] agreement precluded us from obtaining concessions in Northern Persia, and that in the event of our joining in an international combination such as he had mentioned, it might be expected that in Southern Persia we would admit Russia and Germany to participate in the construction of railways.

3858. No. [illegible]

Sir G. Buchanan to Sir Edward Grey.—(Received February 1.)

(No. 23. Secret.)

(Telegraphic.) P. *St. Petersburgh, February 1, 1911*

RUSSO-GERMAN negotiations.

My telegram No. 22 Secret, of the 30th January.

I saw M. Sazonow to-day, and pointed out to his Excellency that by the terms of the Bagdad Railway concession the line to Khartoum was the only one that the Germans had bound themselves to build. M. Sazonow said that he knew this, but that [illegible]ession gave the Germans the option of constructing certain

[illegible] which they wished to avail themselves in the matter of the Mosul [illegible] They desired further to construct a branch running eastwards in the [illegible] Neither M. Sazonow nor the German Ambassador had been able to find on the map the place to which this branch was to run. The terminus of the first of these lines was at the foot of a high range of mountains, which both of them would run at a considerable distance from the Russian frontier, so that he did not see how he could object to them. The question [illegible] to be examined by the subcommittee.

I said that it seemed to me that both these lines would bring the Turks dangerously near to the frontier of [illegible]

[3623] [illegible]

Sir Edward Grey to Sir G. Buchanan.

(No. 21. Secret.)
(Telegraphic.) P. *Foreign Office, February 1, 1911.*

TEHRAN-KHANIKIN line.

The language you used to M. Sazonow in your conversations with him on this [illegible] (see your despatch No. 25 of the 20th and your telegram No. 22 of the 30th ultimo) has my entire approval.

I attach far greater importance than does M. Sazonow to the Pan-Islamic danger and I do not understand how he can regard this point with indifference, more particularly in view of the apprehension which he himself has always expressed of Turkish railways in Asia Minor directed towards the Russian frontier, and of our failure to induce the Turks to withdraw from the Urumia district.

It must be remembered that if the Tehran-Khanikin line is built entirely by [illegible] it may any day be at the disposal of the Turks for aggressive purposes, and I therefore attach the greatest importance to Russian construction and control. If M. Sazonow is not prepared to insist on this, I strongly hope that he will adopt the proposed amendment of article 2 in the sense suggested in the postscript of your despatch referred to.

[illegible] Sazonow's difficulty is financial, there could be two alternative solutions, [illegible] I hope M. Sazonow will seriously consider. The first would be that [illegible] if suggested some time ago, should participate [illegible] of the railway. British capital would in this case probably be forthcoming, especially if Russia retained the option of construction for a certain time.

As it will be some time before the Sadeh branch is begun, it would not be necessary to mention such an arrangement to Germany, who could not object to a [illegible]

The other alternative would be the internationalisation of the line by the admission of French capital also, Germany to have 30 per cent., and the rest to be reserved for Russia, who would divide her share with Great Britain and France.

4080] No. 61

Sir Edward Grey to Sir F. Bertie.

(No. 14.)
(Telegraphic.) P. *Foreign Office, February [illegible]*

TEHRAN-KHANIKIN line.

M. [illegible] telegram No. 13 means that line should be international only if Russia [illegible] shes the option of making it herself. On this understanding our position in the south would in no way be impaired.

4365 No. 6.

Sir F. Bertie to Sir Edward Grey.—(Received February 4.)

[illegible]

Paris, February 4, 1911.

[illegible] M. [illegible] [illegible] ng and informed him of the views and suggestions of M. [illegible] nent, as instructed by your telegram No. 13 of the 2nd [illegible] er, find it necessary to inform his Excellency that His Majesty's [illegible] d be in a position later on to adopt a similar view in the case of [illegible] ys constructed in Southern Persia, substituting in such case the word "British" for the word "Russian," as his Excellency concurred in the views expressed by you [illegible] your telegram No. 21 Secret, to Sir G. Buchanan of the 1st instant and said [illegible] would at once instruct M. Louis by telegraph to act with Sir G. Buchanan and support his representations. He quite understands that your suggestion is that the [illegible] Khanikin line should be international only in the event of Russia relinquishing the option of constructing it.

The action of M. Sazonow and the weakness he has shown in his negotiations with Germany are [illegible] you, himself, and M. Sazonow, and he said that he had made a suggestion to that effect to the Russian Ambassador. The latter, M. Pichon said, has promised at his request to communicate the suggestion [illegible] Russia direct, but he does not feel confident that, even if M. Isvolsky [illegible] ans to do so, he will carry out his promise.

I suggested to M. Pichon that, although M. Sazonow might be perfectly willing to [illegible] declaration as he mentioned if he were a free agent, he might find it difficult to do so at present on account of his negotiations with the Germans.

(4364) No. 63.

Sir G. Buchanan to Sir Edward Grey.—(Received February 4.)

(No. 26.)
(Telegraphic.) P. *St. Petersburgh, [illegible] ary 4, 1911.*

RUSSO-GERMAN negotiations.

Your telegram No. 21 of the 1st February.

I spoke last evening to M. Sazonow on the subject of the Tehran-Khanikin line in the sense of your above telegram.

M. Sazonow said that though the line would never be dangerous to Russia from the strategical point of view, he quite understood [illegible] control being in Russian hands. But he found himself faced by [illegible] of Finance and the general public refused to [illegible] ion of the Ta- [illegible] hran-Khanikin line was constructed under German auspices before the North Persian Railway was completed Russian influence at Tehran would be fatally undermined, and Germany would be supreme in the Persian capital. Moreover, he would be sacrificing the most important of the concessions which he had succeeded in inducing the Germans to make at Potsdam.

To this M. Sazonow replied that it was just as impossible for Russia to prevent the construction of the Tehran-Khanikin line as it had been for her to oppose the scheme for the Bagdad Railway. If she had placed her veto on the construction of the Tehran-Khanikin line, Germany would have been free to obtain concessions of a far more [illegible] ion of the Tehran-Khanikin line she had induced Germany to [illegible] Sazonow added that the French Ambassador had just be- [illegible] him as to the possibility of internationalising the line. The suggestion [illegible] and British capital might participate in the construction of the line had been made to him to-day for the first time, and he welcomed it cordially as a possible solution of the difficulty.

I expressed a hope that, if this suggestion were adopted, Russia would see her way to contributing her quota of the capital required, but M. Sazonow expressed his

doubt as to whether any capital would be forthcoming from Russia, and said that he was not even sure that British capital would be available when the time came for employing it. I said that at present the most important point was that he should not commit himself further to concede either the whole or the partial construction of the [illegible]

[illegible] the cons[illegible]

M. Sazonow replied that the idea of such a formula had occurred to him, [illegible] been thinking of proposing it. He then went on to talk at length of [illegible] and conciliatory spirit which Germany was showing in these [illegible] make no difficulty about accepting the proposed formula, while if she refused it [illegible] show that she had been huddling him up to now.

4471 [illegible]

Sir G. Buchanan to Sir Edward Grey.—(Received February 6.)

(No. 29. Secret.)

(Telegraphic.) P. *St. Petersburgh, February 6, 1911.*

RUSSO-GERMAN negotiations.

My telegram No. [illegible] of the 4th February.

In conversation with M. Sa[illegible]y, his Excellency said that he hoped that in about a week's time he would be able to s[illegible] to the Emperor and to the Council of Ministers a revised text of the draft Russo-[illegible] Thus text, which [illegible] would be communicated to Count Pourtales as the reply of the Russian Government to the counter-proposals put forward by Germany, and he would also let me see it.

I urged M. Sazonow not to show any weakness with regard to the provisions of [illegible]

to the French Government. On my observing that I thought that the French [illegible]

[illegible] M. Sazonow replied that an arrangement on those lines would be the fairest one. [illegible] said, however, that the balance of 75 per cent. of the cost of constru[illegible] be taken up eventually by England and France, as it was impossible for Russia [illegible] supply any of the required capital. To this I replied that [illegible] Russian views at this point might have undergone some change, and that, if the proposed formula were adopted, her hands would be left entirely free to participate or not in the [illegible]

[4448] No. 65.

Sir Edward Grey to Sir G. Lowther. *

[illegible]

Foreign Office, February 6, 1911.

[illegible] CAMBON told me to-day that Rifaat Pasha had [illegible] French [illegible]

railways in the region of the Black Sea, and a railway in Albania.

[illegible]

[illegible] cover of Turkey, it was desirable that the French Government should give a favourable reply to the Turkish proposal.

* Also to Sir F. Bertie, No. 50. Secret.

M. Cambon then told me that he thought it would be well that his Government and ourselves should sp[illegible]rly at St. Petersburgh, and come to a definite understanding with M. [illegible] as to our position was with regard to the Bagdad Railway.

[illegible] that if M. Pichon would settle what he desired to say at St. Petersburgh [illegible]

[illegible] that he had been writing to St. Petersburgh everything that we could wish.

I also told M. Cambon that Rifaat Pasha had talked of making proposals to us about the Bagdad Railway. We had said that we should be ready to receive and [illegible]

matter of fact no proposals had yet been made to us, and nothing was being done [illegible]

4216

Sir Edward Grey to Sir G. Lowther.

Sir, *Foreign Office, February 6, 1911.*

ON the 27th ultimo the Turkish Ambassador called at the Foreign Office and informed Sir A. Nicolson that he expected to receive any day the project of his Government in regard to the Bagdad Railway. He mentioned from a letter he had lately received from Rifaat Pasha [illegible] was awaiting your return in order to communicate the project to you, that an arrangement must have been arrived at with Germany, whereby the latter abandoned her participation entirely in the construction of the line south of Bagdad. Otherwise Fewzik Pasha did not see the utility of the Turkish [illegible] discussing the matter with His Majesty's Government if Germany still held th[illegible] This point, which was an essential one, would be [illegible]

I am, &c.

[4972] No. 67.

Sir Edward Grey to Sir G. Buchanan.

(No. 38.)

[illegible]

THE Russian Ambassador asked Sir A. Nicolson to-day, on behalf of the Russian Minister for Foreign Affairs, in what form and to what amount British [illegible] participation in Tehran-Khanikin line would be afforded.

Sir A. Nicolson told his Excellency that he was naturally unable to give him any [illegible] Government had suggested as one alternative that, if Russian [illegible] difficulties might be found to turn it by a participation of [illegible] to how that capital would be furnished would have to be [illegible] pending the receipt of data necessary to form an opinio[illegible]

[illegible]

to your Excellency.

[illegible]

reserving to herself the right to invite the participation of foreign capital.

I am, &c.

E. GREY.

[4472] No. 68

Sir F. Bertie to Sir Edward Grey.—(Received February 7.)

WITH reference to my telegram No. 6, Secret, of yesterday, I have the hon[illegible] inform you that at the interview which I had with the Minister for Foreign [illegible] with the view of carrying out the instructions contained in your telegram No. 1[illegible] the 2nd instant, I allowed him to read Sir George Buchanan's despatch No. 25, S[illegible] of the 26th ultimo, which I gave to his Excellency without the postscript to it. After M. Pichon had read it, and told me that he had received from the French A[illegible] at St. Petersburgh information similar to that reported by Sir G. Buchan[illegible] his Excellency the memorandum, of which I enclose a copy herein [illegible] he concurred in your proposals, and would send the re[illegible] instructions to M. Louis. I left the memorandum with M. Pichon [illegible] after which I have received from him this morn[illegible] returning to me the memorandum, he states that he has instructed M. Louis to concert with and act with Sir G. Buchanan in the sense desired by you in regard [illegible] M. Sazonow's negotiations with the German Government on the subject of the [illegible] railway from Khanikin to Tehran.

I have, &c.
FRANCIS BERTIE

Memorandum communicated to M. Pichon.

(Secret.)

HIS Majesty's Ambassador at St. Petersburgh has learnt from M. Sazonow that the Russian Minister of Finance, whilst anxious to secure a 60 per cent. Russian participation in the Tehran Khanik[illegible] for some such arrangement as the following: If, when the line from Khanikin reached Khanikin, Russia had not commenced the construction of the Khanikin-Tehran line, she would come to an understanding with Germany for a joint construction of the other railway. Germany had, so M. Sazonow informed Sir George Buchanan, declared her readiness to give an undertaking to build the line [illegible] the line with her or alone. If Germany were to build the line sh[illegible] ing that Russia should acquire the right to purchase the line on completion interest [illegible] price to be fixed by arbitration. Count de Pourtales had told M. Sazonow that [illegible] herself to build certain branch railways under the Bagdad Railway concession. M. Sazonow said that one of those railways was to run to Diarbekir and Kharput from a junction on the Bagdad Railway, and that if the others, which he had not had time to examine, also ran parallel to the Russian frontier, exception might be made in their favour. In the case of railways running towa[illegible] that frontier, however, such an exception could not be mad[illegible]

Sir E. Grey has informed Sir G. Buchanan that he attaches the g[illegible] to Russian construction and control of the Tehran Khanikin line, expressing a strong hope that if M. Sazonow does not feel prepared to insist on this he will adopt the alternative proposal made by the Russian Minister of Finance referred to above, viz. if, when the line had reached Khanikin, Russia had not commenced the constru[illegible] of the Khanikin-Tehran line, she should come to an understanding with Germany for a joint construction of that railway. Sir E. Grey pointed out further to Sir G. Buchanan that if the line were built entirely by Germany it might any day be at the disposal of Turkey for purposes of [illegible] some time ago by the Russian Minist[illegible] participate in the construction of the Tehran Khanikin line, [illegible] difficulty were of a financial nature British capital would probably be available, especially if for a certain time the option of construction were retained by Russ[illegible] any need not be informed of this, for she could not raise objections to a [illegible]

Russia could reserve the rest, dividing this share with England and France. He considered that by both these proposals the financial difficulty could be turned, and [illegible] expressed the hope that M. Sazonow would take these alternatives into serious consideration, as he attached far greater importance than M. Sazonow did to the danger from Turkey. He expressed surprise at the indifference shown by the Russian Minister for Foreign Affairs on that point, especially after the failure of the endeavours to secure the withdrawal of Turkey from the Urumia district, and in view of the apprehension always expressed by M. Sazonow of Turkish railways in Asia Minor running in the direction of the Russian frontier.

His Majesty's Government attach great importance to the above proposal, and they are strongly of opinion that if Russia relinquishes the option of making the Tehran-Khanikin line, that line should be international to the extent proposed by M. Pichon.

British Embassy, Paris,
February 4, 1911.

[4644] No. 69.

Sir G. Lowther to Sir Edward Grey.—(Received February 7.)

(No. 29.)
(Telegraphic.) P. *Constantinople, February 7, 1911.*

BAGDAD Railway.

[illegible] Potsdam agreement.

We suggest that our action might take the form of a joint communication to the Sublime Porte to the effect that all negotiations connected with the completion of the line to Bagdad must be taken conjointly with France and Great Britain. We should add that our Governments consider it quite insufficient for the Ottoman Government to submit an agreement already arrived at, and that we cannot hold out to the Sublime Porte any hope of our agreeing to the 4 per cent. increase failing a preliminary [illegible] which I put to him to-day regarding the course of the negotiations.

[4364] No. 70.

Sir Edward Grey to Sir G. Buchanan.

(No. 34.)
(Telegraphic.) P. *Foreign Office, February 7, 1911.*

I APPROVE your language as reported in your telegram No. 26.

M. Sazonow might be told that I trust he will seriously consider formula you suggest as likely to meet present difficulty. We should be ready to consider whether it would be possible to raise sufficient British capital for participation in Tehran-Khanikin line were the Russian Government unwilling to take over the whole financing and construction of it themselves. Failing this the alternative of internationalisation could be entertained (see my telegram No. 21), but in view of the fact that we have no data whatever as to probable cost of construction of line, and that this and other data are naturally necessary, we think the best solution would be the acceptance of formula you suggest, as we should then have time to study in detail the amount and mode of participation of British capital, either wholly or in conjunction with others.

3433] No. 71

Sir Edward Grey to Sir G. Lowther

(No. 40. Secret.)

Sir, *Foreign Office, February [illegible]*

I HAVE received your Excellency's despatch No. 62 of the 23rd ultimo, reporting a conversation with the Turkish Minister for Foreign Affairs on the relations between Turkey and this country.

I approve your Excellency's language to Rifaat Pasha on this occ[illegible]

I am, [illegible]

1213 No. 72

Foreign Office to Treasury.

Sir, *Foreign Office, February 7, 1911.*

I AM [illegible] by Secretary Sir Edward Grey to transmit to you herewith copies [illegible] correspondence relative to a proposal to entrust His Majesty's consul at Mohammerah with [illegible] duty of surveying the country from Dizful to Burujird, in South-Western Persia,* with a view to the eventual construction of a railway between those two places which would form a section of the projected line from Mohammerah to Julfa.

I am to state that, from the moment when the proposal for this survey was [illegible] before him, Sir E. Grey has fully recognised the necessity for its eventual execution, as [illegible] complete and accurate knowledge of a region in which it is intended eventually to construct a railway so advantageous to British interests from a political as well as from [illegible] commercial point of view.

[illegible] however, the Lords Commissioners of His Majesty's Treasury will observe [illegible] letter from this department to the India Office of the 31st December last, he was led to raise objections to the immediate execution of the scheme by the consideration of the unfavourable impression likely to be produced thereby on the mind of the Russian Government.

It is now clear from the language held by the Russian Minister for Foreign Affairs to His Majesty's Ambassador at St. Petersburgh, as reported by the latter in the enclosed extract,† that, so far from viewing with disfavour the construction by British enterprise of a line in this part of Persia, his Excellency warmly encourages such a scheme, so that the objections raised by Sir E. Grey to the proposed survey no longer exist.

I am accordingly to express the hope that the Lords Commissioners may see their [illegible] this proposal, which has, as they will observe, the support of all His Majesty's representatives on the spot, as well as that of the Government of India and the India Office, especially in view of the exceptional fitness for the work of His Majesty's present consul at Mohammerah, whereby an opportunity is offered which may not soon recur.

The total cost of the survey is estimated at 1,500 rupees a month, and its duration at six months, both these figures being taken as the maximum.

I am to add, with reference to Colonel Cox's despatch No. 68 of the 8th October [illegible] forwarding Mr. Wilson's valuable report on the results of his survey of the line [illegible] Mohammerah to Dizful, that it was unnecessary to obtain special sanction in that case because the work was accomplished in the course of that officer's ordinary [illegible] ys about his consular district.

I am, &c.

LOUIS MALLET

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* Enclosure 1, No. [illegible] November 17. India Office, November 24. India Office, December 2. [illegible]

† Sir G. Buchanan (extract), No. 25, January 25, 1911 (see No. 52).

[1213] No. 73

Foreign Office to India Office.

Sir, *Foreign Office, February 7, 1911.*

WITH reference to the letter from this Office of the 31st December last relative to the proposed survey of the Dizful Burujird section of the projected Mohammerah [illegible] Railway, I am to transmit to you herewith copy of a despatch from His Majesty's Ambassador at St. Petersburgh,* and to request that the attention of the Earl of Crewe may be invited to the last three sentences, from which it will be observed that the Russian Minister for Foreign Affairs speaks of an English project for a railway from Mohammerah to Khaniken, and strongly advises His Majesty's Government to give it their support.

The objections raised by Sir E. Grey to the proposed survey were entirely based, as Lord Crewe is aware, on the mistrust and suspicion which, in the present position of the general question of railway construction in Persia, it would be likely to arouse in the mind of the Russian Government; and not on any doubt as to its ultimate [illegible] and now that M. Sazonow's observations have removed all fear that his [illegible] would view the scheme with disfavour it appears desirable that it should [illegible] dealt with without delay.

[illegible] will further cause the Lords Commissioners of His Majesty's Treasury to be approached with a view to obtain their consent [illegible] charge to Imperial funds of half the expenses involved in the investigation.

It is true that the scheme mentioned by M. Sazonow to Sir G. Buchanan was one for a railway from Mohammerah to Khaniken, and not from Mohammerah to Julfa, [illegible] Sir E. Grey is aware, been proposed by [illegible] ter was the one which his Excellency [illegible]

I am, &c.

LOUIS MALLET

4782] No. 74

Sir G. Buchanan to Sir Edward Grey.—(Received February 8.)

No. 30. Secret.)

(Telegraphic.) P[illegible] *St. Petersburgh, February 8, 1911.*

[illegible] TEMAN

Your tele[illegible]

A very salutary effect has been produced on M. Sazonow by the telegrams which reached him this morning from the Russian embassies in Paris and London. His tone has now undergone a complete change. On Monday last he told me that the French would be displeased if German capital were admitted to participate in the construction of the Tehran–Khaniken line. To-day he spoke bitterly of the French, [illegible] and their backs and concluding a secret [illegible] Germany, now come forward with a scheme for [illegible] the Tehran Khaniken Railway by which German capital would [illegible] sarily be admitted to participate. He wished to avoid this. He had considered [illegible] which I had suggested, and had come to the conclusion that it was calculated to arouse the suspicions of Germany as to the sources from which he proposed to raise the necessary capital. He had therefore prepared another formula, which ran as follows:—"Russia undertakes to acquire for herself from the Persian Government the concession for the Tehran Khaniken line, and engages to proceed with its construction." It was only since he had received an assurance that he could count on the participation of British and French capital that it had been possible for him to commit himself to such an engagement; the wording of this formula would, when the time came, leave Russia a free hand to form whatever consort[illegible] seem best to her. The question of the exact proportion in which British [illegible] participate was one which could wait, and he did not want at present to press for a definite assurance on this point.

I said that this formula, so far as I could judge, would meet with the approval of

* No. 52

His Majesty's Government from every point of view. We had always urged that Russia should herself construct and finance the line, and the wording of his formula would still enable her to do this, should she ever wish it.

On my asking M. Sazonow whether it would not be possible for him to furnish me with a copy of the revised text of the draft Russo-German agreement, which I might send to you by bag to-morrow, his Excellency replied that he could not do so as the text would not be ready for submission to the Council of Ministers till next Saturday.

I then pressed him to tell me in what respects the original text would be modified. He said that article 3 would be omitted from the agreement altogether [illegible] substance be embodied in notes to be exchanged between the [illegible] Copies of these notes would be communicated to England and France. The words "without a previous agreement with the Russian Government," would be inserted in the engagement to be taken by Germany.

Germany considered that a public declaration to the effect that she had no political interests in Persia would be derogatory to her dignity as a Great Power, and article 4 would therefore begin with the following words:—"the special political [illegible] are recognised by the German Government," &c. M. Sazonow [illegible] Germany could not be expected to give more than a decla[illegible] The words "as well as other concessions of a territorial nature," which [illegible] end of the first paragraph of article 4, would be omitted. This [illegible] was explained by M. Sazonow as being due to Germany's objection to the exclusion of her subjects from acquiring concessions for forests and mine[illegible]

In view of M. Sazonow's frequent changes of front I cannot even now guarantee that the final wording of the text will be exactly in the terms which his Excellency indicated to me.

I only observed to M. Sazonow that I hoped that, in communicating his proposals to Count Pourtales, he would let the latter understand that it was impossible that these negotiations should be allowed to drag on indefinitely.

His Excellency replied that he would tell Count Pourtales that it was impossible for him to accept any further modification of the general sense of the agreement, though he was prepared to consider any alterations of a purely verbal character.

4873 No. [illegible]

Sir F. Bertie to Sir Edward Grey.—(Received February 9.)

(No. 7.)
(Telegraphic.) P *Paris, February 9, 1911*

BAGDAD Railway negotiations.

I met M. Pichon to-night and found that he had received from the French Ambassador a suggestion similar to that mentioned in your telegram No. 18 of to-day and telegram No. 29 from His Majesty's representative at Constantinople of the 7th instant. He said that though there may be no legal ground for a protest by France and England on the subject of the negotiations conducted by the Porte with the Bagdad Railway Company in connection with the proposed line to Bagdad, he thinks it would be advisable to warn the Porte that, if the French and British Governments, whose [illegible] matter they cannot be expected to give their consent to the proposed 4 per cent. increase in the customs. Instructions on the subject have been sent to M. Cambon, who has been directed to speak to you in regard thereto.

M. Bompard has reported from Constantinople that an agreement has nearly been reached between the railway company and the Porte, the latter having declared itself ready to devote the whole of the surplus revenues to the payment of the kilometric guarantee. The Turkish Government are, however, unwilling to concede the sheep tax in addition, which the company is anxious to obtain, and this is the only obstacle remaining to the conclusion of the agreement.

4644 No. [illegible]

Sir Edward Grey to Sir F. Bertie.

(Telegraphic.) P *Foreign Office, February 9, 1911*

BAGDAD Railway.

Inform M. Pichon of the substance of Sir G. Lowther's telegram No. 29, and state that His Majesty's Government consider that it would be impolitic to enter a protest against the conclusion of arrangements for continuation of line to Bagdad, seeing that it would be disregarded by Turkish Government, as being unjustified on any legal grounds whatever. Until, however, they are aware of the views of the French Government they will withhold their reply.

4972 No. 77.

Sir Edward Grey to Sir G. Buchanan.

[illegible] *Foreign Office, February 9, 1911*

THE Russian Ambassador asked Sir A. Nicolson to-day on behalf of the Russian Minister for Foreign Affairs in what form and to what amount British financial participation in the Tehran Khanikin line would be afforded.

Sir A. Nicolson told his Excellency that he was naturally unable to give him any details. His Majesty's Government had suggested as one alternative that, if Russia's difficulty was a financial one, means might be found to turn it by a participation of British capital. Details as to how that capital would be furnished would have [illegible] necessary to form an [illegible] to British participation could [illegible] emanating from His Majesty's Government. Sir A. Nicolson replied in [illegible], and gave him the substance of my telegram No. 21 of the 1st February [illegible]

Sir A. Nicolson added that to his mind the best course for M. Sazonow to pursue would be to adopt your Excellency's suggestion, viz., to find a formula to the effect that Russia would engage to construct the Tehran Khanikin line at a given date while reserving to herself the right to invite the participation of foreign capital.

[illegible] GREY.

4975 No. 78.

[illegible] *Buchanan to Sir Edward Grey.—(Received February 10.)*

[illegible] *St. Petersburgh, February 10, 1911*

Please see my telegram No. 30 of the 8th instant.

In a conversation which I had with the Minister for Foreign Affairs last night his Excellency informed me that he had inverted the order of things when remodelling the draft agreement. The Kouich Bagdad section will first of all be referred to, and it will be stated later on in the text that "Russia engages not to oppose the above-mentioned railway." He expressed the hope that this new formula would meet our wishes, though he could not guarantee that the German Government would accept it.

His Excellency added that, as far as article 3 was concerned, he would only [illegible] obtain the acceptance by [illegible] before them [illegible]

[4873] No. 79.

Sir Edward Grey to Sir G. Lowther

(No. 29.)
(Telegraphic.) P. *Foreign Office, February 10, 1911.*

PLEASE telegraph your views as to revenues which Bagdad Railway Company may expect Turkish Government to earmark for their use (see Paris telegram No. 7 of the 10th February)

[5122] No. 80

[illegible] Ambassador to Sir Edward Grey.—(Received February 11.)

(No. [illegible])
(Telegraphic.) P. *St. Petersburgh, February 11, 1911.*

[illegible] TAMAN negotiations.

I was sent for yesterday evening by M. Sazonow, who said that the apprehensions aroused in London by the question of the Tehran Khanikin Railway had caused him much uneasiness. M. Sazonow said that he had thought that His Majesty's Government had understood from what he had told them both before and after the Potsdam meeting that the line was of vital interest to Russia. He now recapitulated his remarks on the [illegible] we feared the possibility of the control of the line passing into [illegible] M. Sazonow protested that he had never had any int[illegible] [illegible]'s hands, and went on to repre[illegible] branch the [illegible] Count Pourtales. I denied that I had ever reported in this sense to [illegible] but said that I had considered it my duty to point out to them that the cession of the line to Germany was a possibility which we could not afford to disregard. I recalled to his memory the language which he had held to me on this subject on various occasions, and reminded him that on one occasion he had said to me that the best plan would really be for Germany to defray the cost of the construction of the line [illegible] the opinion that had been expressed in the Council of Ministers by the Minister of Commerce, but that he, for his part, had always advocated that control should be kept in Russia's hands.

I told him that a telegram which I had sent to you (my No. 30 of 8th February) would by this time have set at rest any apprehensions which might have existed.

M. Sazonow then read to me a telegram which he had received fr[illegible] Isvolsky, who reported that he had had a conversation on the subject of participation of British capital with Mr. Tyrrell, who had told him that, in the event of Germany giving her consent to the proposed combination, Great Britain would take a share of the required capital without any difficulty. M. Sazonow expressed a hope [illegible] no mention of this matter had been made by us to Germany. If Germany got wind of the scheme she would refuse to accept his new formula unless a share in the construction were allotted to her also. His idea was that the Tehran Khanikin line should be made a purely Russian undertaking, and that Russia should be left free to make whatever financial arrangements might suit her. On my inferr[illegible] of what I had said on this point in my telegram No. 30, he replied that I had expressed his views quite accurately. At the same time, he begged me to inform you of the great importance which he attached to the idea of British participation in the future being kept secret and not mentioned either in diplomatic or financial circles.

M. Sazonow then went on to say that the revised version of the draft Russo-G[illegible] agreement was still awaiting submission to the Council of Ministers, that he could not [illegible] copy of it, but that he would allow me to read it on the understanding that it was in the strictest confidence.

In the preamble the principle of commercial equality is recorde[illegible] recognised that Russia possesses special political interests, while a purely commercial character is ascribed to those possessed by Germany.

The 4th article of the original draft appears as article 1 in the new version, but all reference to concessions of a territorial character is omitted.

In article 2 Russia pledges herself to obtain from the Persian Government a concession for a line to link up with the Sadigeh Khanikin line, when the construction of "this branch of the Koweit Bagdad Railway" shall have been completed. Tehran [illegible] specified as the eastern terminus of this link line from Khanikin.

In article 3 Russia undertakes not to place any obstacles in the way of the construction of "the above-mentioned railway," stipulating at the same time that she [illegible] not be required to make any sacrifices of a pecuniary nature. At the end of this article is attached a revised version of the article 3 of the former draft, by which [illegible] Germany engages not to lend material or diplomatic support to schemes for constructing railways in the district to the north of Khanikin referred to in the original draft.

It might be well to express our appreciation of M. Sazonow's action and to tranquillise the agitated frame of mind in which he is at present. He seems to have done his best to meet our wishes. I fear, however, that Germany will not be inclined [illegible] welcome the text as now revised.

[5147] No. 81

[illegible] Ambassador to Sir Edward Grey.—(Received February 11.)

(No. [illegible])
(Telegraphic.) P. *Constantinople, February 11, 1911.*

[illegible] information I have received it has been calculated, taking the averages of [illegible] surpluses of the ceded tithes and revenues for the last five years, that the annual surplus at the Government's disposal (not taking the customs surtax into account), and therefore available for the Bagdad Railway has amounted to £T. 334,000, and that no less than £T. 900,000 will be at the disposal of the Government from the same sources in the present financial year, taking the returns as at present known.

For the Half Bagdad sections about £T. 300,000 is required (without counting £T. 76,000 for working expenses). There is every reason to suppose that this sum will be fully covered, but the railway company seem anxious to get the sheep tax of the Adana, Aleppo, and Koweit vilayets (assigned by the last convention) as an additional guarantee.

Above refers to your telegram No. 29 of the 10th February.

[5122 [illegible]

Sir Edward Grey to Sir G. Buchanan.

(No. [illegible])
Foreign Office, February 11, 1911.

[illegible] Your telegram No. 33.

[illegible] Affairs may rely on our discretion. Please express to him my thanks for his friendly communication, and my satisfaction, and assure him that we have said nothing to [illegible]

[5149] No. 83.

Sir G. Lowther to Sir Edward Grey.—(Received February 12.)

(No. 36.)
(Telegraphic.) P. *Constantinople, February 12, 1911.*

BAGDAD Railway. (See embassy telegram No. 34 of 11th instant.)

According to the "Tanin," a paper in close relations with the Ministry of Finance, an annual increase of £T. 60,000 on the revenues already put aside for the construction of the line will suffice for the extension of the line to Bagdad, and the 4 per cent. increase on the customs duties has no connection with this.

It is conceivable that the £T. 60,000 represents the difference between the amount needed, including working expenses and guarantee, for the line from Half to Bagdad and £T. 334,000 surplus of tithes and revenue. If the Half-Bagdad section is rather more than 600 kilom. in length, this supposition may be correct.

5150 No. 84

Sir G. Lowther to Sir Edward Grey.—(Received February 12.)

(No. 37.)
(Telegraphic.) P. *Constantinople, February 12, 1911*

BAGDAD Railway. (See Foreign Office telegrams No. 24 of 9th February and [illegible] of 10th February.)

It is, I still venture to think, very desirable that some communication should be made to the Porte. The form I would suggest might be a request to be acquainted with the nature of the arrangement about to be arrived at in order to see whether safeguards have been provided for British and French interests.

Should the Porte now conclude an arrangement with the Germans, without mention being made of the Bagdad Persian Gulf sections being modified in any way, then in the negotiations which we expect to conduct with Turkey the latter will h[illegible] nothing to offer us. This will weaken our position as against Germany and Turkey very considerably, and the practical result will be that we shall either have to accept their terms or assume in the Koweit and 4 per cent. questions an uncompromising attitude.

It might be possible for us to omit any reference to the 4 per cent. question and confine ourselves to saying that we shall show no great disposition to deal favourably with Turkish requests for assistance in matters touching their interests if British interests have not been borne in mind during the Turco-German negotiations.

It would seem that the agreement between the railway company and the Ottoman Government is on the point of being reached, and it is considered that it will be possible to avoid reference of the agreement to Parliament. It is not, however, possible [illegible] the company are said to be very light.

5152 [illegible]

[illegible] Buchanan to Sir Edward Grey.—(Received February 13.)

(No. 20.)
Sir, *St. Petersburgh, January 31, 1911*

THE following official communiqué was published in the press of the 28th instant:—

"Amongst other questions discussed at the meeting of the Council of Ministers on the 13th (26th) January was that of the construction of an Indo-European transit [illegible] [illegible] rable to the proposal brought forward by the [illegible] prise that a special commission ('société d'études') should be [illegible] for a preliminary study of the question, on the understanding, however, that the realisation of the scheme should not involve loss to the Russian Treasury or damage the econ[illegible] [illegible] this subject will take final s[illegible] [illegible] an agreement."

On my alluding to this communiqué in the course of conversation with M. Sazonow yesterday, I enquired whether the condition that the Imperial Treasury was to suffer no loss meant that the Government would only give the projected railway their moral support. His Excellency replied that anything in the shape of a Government guarantee was out of the question. The only financial support which the enterprise would receive would be a certain share in any surplus profits which might accrue to the State railways from increased receipts due to the transit traffic in goods and passengers through Russia.

I have, &c.
GEORGE W. BUCHANAN.

[5154] No. 86.

Sir G. Buchanan to Sir Edward Grey.—(Received February 13.)

[illegible]

St. Petersburgh, February 6, 1911

I TOOK the opportunity of a conversation which I had with the Minister for Foreign Affairs this afternoon to speak to him in the terms of your despatch No. 31 of the 31st ultimo on the subject of that portion of Persian territory that was left neutral by the Anglo-Russian agreement of 1907.

His Excellency gave me the assurance that the Russian Government would not support the requests of third parties for concessions in that region, nor consent to such requests being made without previous consultation with His Majesty's Government.

I have, &c.
GEORGE W. BUCHANAN.

5212 [illegible]

Sir G. Lowther to Sir Edward Grey.—(Received February 13.)

(No. 90.)
Sir, *Pera, February 8, 1911*

WITH reference to my telegram No. 29 of yesterday relative to the progress of the negotiations for the completion of the Bagdad Railway to Bagdad, I have the honour to enclose a semi-official communication, published in the "Jeune Turc" of yesterday on this subject.

I have, &c.
EDWARD LOWTHER.

Enclosure in No. [illegible]

Extract from the "Jeune Turc" of [illegible]

LE CHEMIN DE FER DE BAGDAD.

UNE réunion a eu lieu dimanche au konak du grand vézir à laquelle ont assisté les Ministres des Finances, des Travaux publics et M. Huguenin, directeur général du Chemin de Fer de Bagdad. La conversation a roulé sur le tronçon reliant Halef à Bagdad de 600 kilom., ainsi que les sommes destinées à la garantie kilométrique. Avec [illegible] six ans, toute force majeure prouve. Ils seraient attaqués des deux côtés à [illegible] agdad et Halef.

1. [illegible] du Chemin de Fer de Bagdad espère mettre en exploitation dans quelques mois une partie du tronçon Eregli Adana dont les travaux sont très avancés.

5158] No. 88.

Sir G. Buchanan to Sir Edward Grey.—(Received February 13.)

[illegible]

St. Petersburgh [illegible]

THE Russo-German negotiations have made but little progress during the past [illegible] In the conversation reported in my telegram No. 22, Secret, of the 30th ultimo, M. Sazonow informed me that the question of the Tehran Khaniqin Railway was still under discussion, and that it was complicated by the fact that the Minister of Finance had declined to assume any financial responsibility for the [illegible]struction of the line. He had himself been trying to conclude an arrangement under which Russia would participate to the extent of 60 per cent. in the undertaking in [illegible] control; but, while he would have no difficulty in [illegible] to assent to this, he did not know how to secure the necess[illegible] [illegible] he must admit, had approached the question in the most conciliatory spirit, and was willing to accept any arrangement agreeable to Russia. All that she

[illegible] ed when once the [illegible] leave the construction, either in [illegible] ake to build the whole line herself. In the latter case, she would give Russia the option of purchasing the railway [illegible] constructed, at a price to be settled by arbitra[illegible]

On my asking his Excellency whether it was true that the [illegible] hundred million roubles, and whether he thought that it would be easy for Germany to find even 40 per cent. of the required capital, M. Sazonow replied that the [illegible] which I had quoted was exaggerated but that at present it was impossible to esti[illegible] either the cost of its construction or the approximate amount of the receipts wh[illegible] would eventually yield. Count Pourtalès had assured [illegible] would reach Bagdad in four or five years, the [illegible] pite easy for [illegible] He did n[illegible] [illegible]rtalès was trying to bluff him, but it was possible that [illegible] ntemplated postponing, or even abandoning altogether, the continuation [illegible] gdad Railway to the Gulf, and diverting any capital which she might have set aside for the Gulf section to the construction of the Khanikin Tehran line.

With regard to the railways referred to in article 3 of the [illegible] M. Sazonow said that the German Ambassador had told him that, [illegible] Germany had undertaken to construct certain [illegible] [illegible]ne was to run from a point on the main line to Darlick [illegible] [illegible]s were also to run parallel to the Russian [illegible] their favour. When I saw his Excellency again a few days later, I pointed out [illegible] [illegible]ekir-Kharput line was the only one which the Germans were under an [illegible] that, as regarded the other lines mentioned in article 12 of the [illegible] ly a question of option. M. Sazonow replied that he was aware of this, but that the Germans wanted to exercise this option in the case of two lines, namely, one from Mosul to Arbil and the other from a point on the Diala to a place which neither he nor the German Ambassador had been able to find on the map. As both these lines were at a considerable distance from the Russian [illegible] first of them had its terminus at the foot of a lofty mountain range, he did not see how he could object to them. I contented myself at the time by remarking that they seemed to me to bring the Turks within dangerous proximity of the Persian frontier but in a subsequent conversation, I called his attention to the fact that the Mosul Arbil Railway would give the Turks direct access to the Urumia district if, as was always [illegible]

M. Sazonow admitted that there might be some truth in this, but said that the line from the Diala was, he believed, only intended to tap some naphtha springs not very [illegible] While he personally saw no objection to the Darbekir Kharput line, the whole question of these railways would have to be carefully exa[illegible] that, as in the case of the other two lines, Germany had only the option, and not the obligation, to build them, he thought that it ought not to be difficult to come to some agreement with respect to the [illegible]

I saw his Excellency again on the 3rd instant and communicated to him th[illegible] substance of your telegram No. 21 of the 1st instant, laying special stress on the [illegible] attached to the Tehran Khanikin Railway being constructed [illegible] controlled by Russia. M. Sazonow replied that he quite understood and sha[illegible] [illegible]ews on this question, though he did not himself see how this line co[illegible] any circumstances, be a danger to Russia from a strategic point [illegible] all along been endeavouring to retain the control of this railw[illegible] but as neither the Minister of Finance nor the Russian pub[illegible] penny towards its construction, the position which he had to [illegible]

The French Ambassador, his Excellency then proceeded to say, had just been to see him, and had also spoken about the internationalisation of the line. The idea [illegible] British and French capital might participate in the enterprise was a new but wele[illegible]

[illegible] st of his present difficulties [illegible] enquiring whether, in the event of this idea being adopted, Russia would [illegible] ute her quota, his Excellency replied that it would be impossible to raise any [illegible] ney in Russia towards such an undertaking and he very much doubted whether when the time came, any British capital would be forthcoming. He would, however, do all in his power to attain a solution of the question in the sense suggested. I remarked that the important thing at the present moment was that Russia should not commit herself by any promise to cede the railway either as a whole or in part [illegible] ny. While I quite understood the financial difficulty with which [illegible] nted, I would ask him to reflect on the fatal blow that would be stru[illegible] Russia's influence and prestige in Persia were Germany to [illegible] efore the North Persian Railway had been completed. Nor could I, in such [illegible] see what Russia would have gained from the agreement with Germany. M. Sazonow replied that he had not committed his Government in any way at [illegible] sent, but that Russia could no more prevent the eventual construction of the [illegible]ran-Khanikin line than she had been able to oppose the Bagdad Railway scheme [illegible] been induced to consent to the construction of this line in [illegible] any a renunciation of other and more important claims in N[illegible] might one day have included the concession for the North Persian [illegible] rting once more to the question of internationalisation, I enquired whether [illegible] ency thought that Germany would accept a formula to the effect that when the Sadjeh line reaches Khanikin "la Russie procédera à la construction de la ligne Khanikin Téhéran, en se réservant le droit d'inviter la participation de capitaux [illegible] M. [illegible] "

some such formula might not get over the difficulty, and after rec[illegible] he has so often told me of the conciliatory and straightforward manner in which [illegible] y has throughout treated the question of this railway, remarked that he did not see what objections she would raise. I observed that if she did raise objecti[illegible] his Excellency need not listen to them, as they would prove that all that Co[illegible] Pourtalès had told him hitherto was humbug and that Germany wanted the railway for other than trad[illegible]

[illegible] ency on the 6th instant, M. Sazonow of his own [illegible] marking that the situation had changed greatly [illegible] latter now that there was a question of the participation of French and Bri[illegible] al. I then asked whether he had come to any decision about the formula, and [illegible] excellency replied that he was quite in favour of the one which I had suggested, but that he feared that Germany would raise objections unless she was also admitted on an equal footing with England and France, and he believed that the F[illegible] Government wished to exclude her altogether. As, in a conver[illegible] with my French colleague a few days ago, M. Louis had suggested that Germany's share should be restricted to 25 per cent., I said that I did not think that this was the case, and that if 25 per cent. were allotted to Germany, the remaining 75 per cent. might be divided between the other three Powers. His Excellency agreed, but added that France and England would have to divide Russia's share between them. I remarked that it was to Russia's interest to leave the door open so that she could do what she liked when the time came. The Sadjeh Khanikin line could not under the most favourable circumstances be completed for another six years, and many things might happen in that time. Russian public opinion might then take an entir[illegible] different view of the matter, and favour the idea of the line being wholly or mainly constructed with Russian capital.

In the course of our conversation his Excellency told me that he hoped about the end of the week to lay before the Council of Ministers the revised text of the draft agreement, and that, after it had been sanctioned by the Emperor, he would communicate it to Count Pourtalès as Russia's reply to the proposals and amendments [illegible] ernment had submitted with respect to the original draft. He [illegible] show it to me. The question on which it would be the most difficult to arrive at an agreement was that relative to the text of article 3, which deals with railways to the north of Khanikin. This matter was, he considered, such an important one for Russia that he would be obliged to make a firm stand with regard to it. I encouraged him in this idea as I think that a Turco-German railway line from Mosul to Arbil would be fraught with danger to Anglo-Russian interests in [illegible]

M. Sazonow again yesterday afternoon and communicated to him the substance of your telegram No. 34 of the 7th instant on the subject of t[illegible]

Kantokin line. His Excellency replied by reading to me two telegrams which he had received from Count Benckendorff reporting a conversation which he had had on the same subject with Sir Arthur Nicolson. He then proceeded to say, with considerable warmth, that the French had quite lost their heads and were accusing him of [illegible] understanding with Germany behind their backs. In [illegible] it was they who had originated the proposal for the interna- [illegible] with the participation of German capital. I asked him w[illegible] was that he had told me the other day that the French wanted to keep th[illegible] ther out of the undertaking, but his Excellency denied ever having said so. [illegible] ad, he continued, thought over the formula which I had suggested, but he w[illegible] that it would necessarily involve German participation and this he desired [illegible] He had therefore prepared another: "La Russie s'engage à obtenir pour elle [illegible] sion et à procéder à la construction de la ligne." This wor[illegible] [illegible]ner would have alone, arouse [illegible] [illegible] to obtain the necessary capital and would leave Russia free to form whatever consortium she pleased when the time came. The question as to the exact amount of capital which Great Britain would eventually contribute need not be discussed at [illegible] nd he did not wish to press for any definite assurance on this point. It was [illegible] that he had been assured of the participation of British and French capital [illegible] was able to act as he was doing.

[illegible] guage, one would imagine that he had never entertain[illegible] the idea of ceding the railway in whole or in part to Germany, and I think t[illegible] changed attitude is probably due to the language which Sir Arthur Nicol[illegible] have held to the Russian Ambassadors in London and Paris. I told M[illegible] that, so far as I could judge, nothing could be [illegible] it appeared to meet our w[illegible] enabling Russia to consi[illegible]

[illegible] t to forward to you by today's messenger [illegible] as it would only be submitted to the Council of Ministers on Saturday. It [illegible] d, been very difficult to redraft as it was necessary to change the wording completely, so that it might not in any way resemble the version published by the "Evening Times." After some pressing, however, M. Sazonow informed me that the [illegible] were the principal alterations introduced into the or[illegible]

[illegible] will disappear from the agreement, and the engagements taken by [illegible] and to railways to the north of Khartoum will be recorded i[illegible] exchange of notes, of which copies will be communicated to England and France. T[illegible] engagement to w[illegible], however, be modified by [illegible] possible use in Russia." Otherwise [illegible]

Ar[illegible]

[illegible] on Persian affairs [illegible] [illegible] that it was bei[illegible] she had no political interests in Persia and, though the Ge[illegible] Excellency had remarked Count Pourtales, made an [illegible] that the assurance which the German Government was now giving, equally answ[illegible] the purpose. The words "ainsi que d'autres concessions de caractère terr[illegible] the last line of the first paragraph of the same article will be omitted as G[illegible] objects to her subjects being precluded from seeking mining or forest concessions [illegible]

[illegible] g any observations on these new concessions which M. S[illegible] [illegible] to them. I expressed the hope, however, that his Excellency would give Count Pourtales clearly to understand that he would not allow the negotiations to be indefinitely prolonged by further demands on Germany's part, and M. Sazonow informed me that he proposed saying [illegible] ents, he will not consent to any more [illegible]

[illegible] t so rapidly from day to day that I [illegible] nt will exactly correspond with w[illegible]

I have, &c.

GEORGE W. BUCHANAN

Sir E. Speyer to Sir Edward Grey.—(Received February 13.)

Dear Sir Edward, [illegible], 1911.

[illegible] Bagdad Railway [illegible] resident of the [illegible] ty, being my cousin, I was in a favourable position to negotiate a commercial agreement, of which the basis would have been the control by English capital of the southern part of the line from Bagdad to the Persian Gulf.

I expressed myself sanguine with regard to the result of such negotiations.

Your reply was to the effect th[illegible] could be done without "une conversation à quatre," as you could not act without the knowledge and consent of France and Russia.

The Germans declined to discuss the matter on that basis, and the matter dropped.

It was resumed by Sir Ernest Cassel, with your knowledge, and, as I understand [illegible] question entered upon a more acute phase. [illegible] it's note to the Persian Government alarmed the Turks. The claims put forward by Great Britain as to her rights and privileges in the Persian Gulf section increased Turkish suspicion, so that the chances of Turkey agreeing to Germany ceding that portion of the concession to build the southern section of the Bagdad Railway to British capitalists are now very much reduced, if indeed they have not disappeared altogether.

The Potsdam understanding has removed Russia from the group of Powers supposed by the Turks to be antagonistic to the Bagdad Railway enterprise.

The position was further complicated by the Turkish loan negotiations, which terminated in the signing of a contract with Germany for 11,000,000*l.* Turkish bonds after France and England had declined to assist Turkey.

When I saw Sir Arthur Nicolson shortly afterwards he said that the Foreign Office did not then encourage British capital being put at the disposal of the Turkish Government, and at my interview with you in January you confirmed that, although you were not altogether averse to British investments in Turkey.

I ventured to tell you that as Turkey was a country with great resources, but in equally great need of capital to develop them, it seemed a pity if Great Britain were to miss the opportunity of participating in such development.

To continue a negative policy seems to me to place Great Britain at a political and commercial disadvantage. Reports from Constantinople which I have received from a person of position and authority who went out on my firm's behalf fully confirm [illegible] British attitude towards Turkey, and of demonstrating that Great Britain's friendship for Turkey still exists.

[illegible] 11,000,000*l.* negotiation with Germany consists of 7,000,000*l.* firm stock, with [illegible] n 4,000,000*l.* more. My proposal is to try to obtain that option stock and [illegible]

[illegible] satisfied that there is no chance of participating in the firm stock, as the [illegible] ate, having taken the risk and being certain of placing the stock in [illegible] would not for a moment consider any such proposal, but it would in my opinion be worth while trying to obtain the option stock for this country, and I venture to urge this, as I have reason to know that a friendly attitude on the part of the British Government in this matter would be welcomed in Turkey, and, further, would pave the way for an agreement regarding the Bagdad Railway. Russia could not now object, and as regards France, it is common knowledge that her objection to the loan was to a great extent due to the jealousy of each other amongst competing banking groups. Moreover, I understand that France has practically sanctioned a Turkish loan of 2,000,000*l.* for making roads.

Action of the kind I have ventured to suggest, if taken at all, should be taken very soon, but as I stated to you at our last meeting, I would not move without the good-will and encouragement of the Foreign Office. If that is forthcoming, I believe [illegible] vourable position to negotiate for securing the option bonds.

[illegible]

I am as confident as regards the outcome of such negotiations as I was two years ago regarding the Bagdad Railway proposals, and I trust that Great Britain will not miss this opportunity.

I am, &c.
EDGAR SPEYER.

5394 [illegible]

[illegible]

St. Petersburgh, February 13, 1911.

RUSSO-GERMAN negotiations. Your telegram No. 41, Secret, of the 11th February.

M. Sazonow is much pleased with your message, which I conveyed to him to-[illegible] but he tells me that he is now faced by a new difficulty. On his submitting the revised version of the agreement to the Council of Ministers, that body had expressed the opinion that an outcry would be raised in Russia if the Government, before taking any [illegible] to build a railway in North Persia to promote the economic interests of [illegible] to pledge itself to construct a railway which would facilitate [illegible] of German goods. On the other hand, the Duma would never sanction the grant by Government of a guarantee for railways in Persia which [illegible] to be badly in need of railway development. If [illegible] turn for financial support to Paris and London. The construct[illegible] Enzeli to Teheran would be sufficient, and he hoped to secure financial support [illegible] time from the French and English financiers who were ready to participate [illegible] construction of the line from Khanikin to Teheran. Secrecy must be observed with regard to the latter line until the agreement with Germany was published, while there was no such obligation with regard to the line from Enzeli to Teheran. It was therefore necessary that the two lines should be treated separately.

On my suggesting that he should take the opportunity of the publication of the Russo-German agreement to announce that the Russian Government intended to obtain [illegible] concession for the line from Enzeli to Teheran, his Excellency said that, before doing this, he must be sure that he could lay his hands on the money required for the construction of that line. I asked whether he would be satisfied with [illegible] from His Majesty's Government to the effect that they would do what [illegible] interest British capitalists in the undertaking, but [illegible] more sanguine than this. The line from Enzeli to Teheran should, he thinks, [illegible] remunerative than the line from Khanikin to Teheran, and he points out [illegible] construction of the former line might be regarded as a first stage in the construction [illegible] Persian line to India. He said that it was impossible for him to hand to [illegible] revised text of the draft agreement in its present form until he received from London and Paris some assurances as to the financial aspect of the question.

5574 No. 91

Sir G. Lowther to Sir Edward Grey. (Received February 14.)

(Telegraphic.) P. *Constantinople, February* 14, 1911.

BAGDAD Railway.

Negotiations with Bagdad Railway Company are being conducted on the following [illegible] according to a voluntary statement made to me today by the Minister for Foreign Affairs.

No revenues, such as future "temettu," future monopolies, surplus of ceded [illegible] ent., beyond those already accorded, to be asked for by the [illegible] ent would probably grant the company an outlet at [illegible] and call on it to give up its right to construct the section from Bagdad [illegible] all which was in a fair way of being reached, the internationalisation of the Bagdad Persian Gulf section, though remaining an Ottoman railway, would be

proposed by the Porte to Great Britain and Powers interested, the suggestion being that France, Germany, ourselves, and possibly Turkey, should join in acquiring shares.

Although Bussorah could easily be turned into the outlet, the Turkish Government would prefer Koweit, but for that an arrangement with Great Britain as to its political status would be necessary. His Excellency observed that, from the standpoint of [illegible] the preservation of the present *status quo* was impossible, and obviously [illegible] n territory was the only terminus for an Ottoman railway. His Excellency added that the international syndicate should also build the terminal port.

Rifaat Pasha asked me to keep what he had said secret, and observed that his object in speaking to me had been to let His Majesty's Government know the general [illegible] of the Ottoman Government in the matter, and that he would eventually communicate the proposals of the Turkish Government in wri[illegible].

His Excellency added that he would use similar language to the French [illegible].

5647 No. 92

Sir Edward Grey to Sir G. Barclay.

(Telegraphic.) P. *Foreign Office, February* 14, 1911.

I HAVE been considering the best means of safeguarding British interests in connection with the question of railway construction in Persia. In view of recent events and the rumours of a large railway loan, it would appear to me to be advisable in the first instance to recall to the recollection of the Persian Government the rescript dated the 16th September, 1888, which the then Shah addressed to the Minister for Foreign Affairs, giving a positive assurance to His Majesty's Government that no southern railroad would be granted to a foreign country without previous consultation with them, and that they should have priority over others in the construction of any line in that area.

[illegible] ought be well to remind the present Ministers of the existence of this [illegible] ertaking, which may have escaped their notice, and to say that we consider it to be still binding, and assume that it will be observed as a matter of course, notwithstanding [illegible] gone (the analogy of the Bagdad Railway Concession would [illegible]).

Before, however, making any communication to the Persian G[illegible] and those of the Government of India [illegible] the Persian Government to accept such a conn[illegible] sport, we would add that His Ma[illegible] h by their solicitude for the security, integri[illegible] by a desire for the expansion of British commerce, would be willing to discuss wit[illegible] the question of railway construction in the south, whenever they are ready. Until there are railways in the south the Central Government cannot hope to establish [illegible] uthority, and the safety of transit would advance the material welfare of Persia as much as it would benefit our commerce. But the disposition of the Persian Government must determine to some extent the discussion of the whole subject.

M. Sazonow has himself suggested to Sir G. Buchanan that we should apply at [illegible] for the concession of a line running from Mohammerah northwards. No opposit[illegible] [illegible]re, need be anticipated from Russia on this head, and commercial opinion agre[illegible] advantages such a line would possess.

In these circumstances, the two lines to which we attach the most importance [illegible]:—

1. A line from Mohammerah northwards to Khoremabad, with a branch to a port to be constructed at Khor Musa.
2. A line from Kerman to Bunder Abbas.

Others in order of merit are the following:—

1. A line from Bushire viâ Abadeh to some port.
2. A line from Bunder Abbas viâ Sharaz to Ahwaz.

If we decide to apply for a concession for the building of No. 1, I should like your views on the rather difficult question of how we ought to proceed in the matter. Should we in the first instance approach the Persian Government; or

should we apply to the sheikh and obtain their concurrence afterwards? [illegible] the Persian Government we should bear in mind the effect such act [illegible]

[illegible] railway would have to be more or less under British management, though it would obviously remain Persian in name. The Persian Government might receive a [illegible]tage of shares as purchase money for the concession, while the syndicate who [illegible] in detail, but I do not anticipate any difficulty in obtaining money in the city for [illegible]

Before instructing Lieutenant Wilson to proceed with the survey of the section [illegible] (excluding that portion within the Russian sphere), for which it would [illegible] the circumstances to utilise his services, we should [illegible] would be safe for him to undertake the work in the present [illegible] whether he could do so at all without [illegible]

5394

Sir Edward Grey to Sir G. Buchanan

[illegible]

Foreign Office, February 14, 1911

Your telegram No. 30, Secret, of the 13th February.

In the case of any railways which would secure better access for British and Russian trade to Persia His Majesty's Government would be quite willing to see British capital help in their construction. The question of how British trade can be enabled [illegible]pete with rival routes from Mesopotamia by means of certain lines in Southern Persia is at the present moment under consideration, and in this connection it would be well to refer M. Sazonow to correspondence which took place in 1908, respecting Julfa Mohammerah Railway. He will see that throughout we have been influenced by motives precisely corresponding to those by which Russia is influenced with regard [illegible] guarantee. We shall have to face [illegible] southern lines, for which we could not [illegible] ent guarantee. *A fortiori* it would be [illegible] money for railway construction in Northern Persia when no guarantee is forthcoming from the Russian Government. If we decide to give an guarantee ourselves, we can, of course, only do it for southern lines, of which you will hear more, as scheme now under consideration matures.

We had assumed, in case of Tehran Khanikin line, that there would be a Russian guarantee, or, if not then, an international guarantee, and I hope that M. Sazonow will see that it is impossible to induce British capital to invest money in north Persian railways without a guarantee, and to do for Russian trade in the north of Persia what it would certainly not do for British trade in the south.

5575 No. 94

Sir E. Goschen to Sir Edward Grey.—(Received February 15.)

(No. 36.)

Sir,

Berlin, February 13, 1911.

I HAVE the honour to report that the "Norddeutsche Allgemeine Zeitung" in its usual summary of the events of the week, refers at some length to the Bagdad Railway question, and says that [illegible] to the Persian Gulf, and that all negotiations connected with the scheme would be conducted by the Turkish Government direct with the company and not with the German Government, the "Norddeutsche" reproduces, by way of comment on this statement, a telegram sent to the "Kölnische Zeitung" by its Berlin correspondent which sums up the official German attitude at the present moment in the w[illegible]

[illegible] the Bagdad Railway Company to welcome the [illegible] in the enterprise, the "Kölnische" says [illegible] in or for objecting [illegible] tion of the [illegible] ter then goes on to observe that if other people had been equally [illegible] railway might by this time have been completed, and then no doubt would have been left as to its real character, which was that of a great transversal [illegible] ded in the first place to open up the more inaccessible parts of T[illegible] and to benefit equally the commerce of all nations. "In the consciousness that [illegible] is intended to serve these purposes alone," says the "Kölnische," "[illegible] ing made nervous by critic[illegible] foreign press, which have no justification in fact."

[illegible] "Hamburger Nachrichten" also reproduces the telegram from the "Kölnische [illegible] stating that it was probably inspired by the Deutsche Bank. It then goes to quote a recent announcement in the "Neue Politische Korrespondenz" to the [illegible]ect that up to now negotiations between Germany and England with regard to the Bagdad Railway had failed in consequence of the English demand for the internationalisation of the line—a demand which [illegible] could not accept, as the Bagdad Railway was a Turkish enterprise, which was only being financed and carried out by Germans. The "Hamburger Nachrichten" says that, [illegible] attempt to obtain any control over the line, she could only be [illegible] by conduct, on her unconservedly assuring to Turkey [illegible] whole railway. Finally the article discusses the question [illegible] on the Persian Gulf, "where Persian, Turkish, and Arab territory meet, the [illegible] ally under Turkish sovereignty but in reality partly independent and partly [illegible] the line must terminate at Koweit, the writer quotes "an apparently semi-official statement" in the "Munchener Neueste Nachrichten" saying that the opinion [illegible] gaining ground that Bussorah will have to be chosen as the [illegible] instead of Koweit. The "Hamburger Nachrichten" concludes by saying that it [illegible] concurs in this view, as it would be much better that the line should, from beginning to end, be built on Turkish territory.

I have, &c.,

W. E. GOSCHEN.

5736 No. 95

Sir G. Buchanan to Sir Edward Grey. (Received February 15.)

(No. [illegible])

St. Petersburgh, February 15, 1911.

[illegible] No. 49 of yesterday [illegible] Russo-German negotiation [illegible] ation in the sense of your above telegram to M. Sazonow [illegible] from the Russian [illegible] that M. Pichon, in speaking of the proposal [illegible] hran Railway scheme, had used hopeful and [illegible] language, and had promised to submit the proposal to the French C[illegible] of Ministers. He was evidently depressed by the nature of your reply. I asked him what steps he proposed to take, and he said that he had led the German Ambassador to understand that he would communicate the revised version of the draft [illegible] to him before the end of the present week, and he did not see how it would be [illegible] now for him to prevent the Khanikin Tehran line from falling to the Ge[illegible] urged him not to abandon the formula which he had shown me, and pointed out that Russian public opinion might be satisfied if he would apply for a concession for the line from Enzeli to Tehran; time would thus be given to us for discussing the necessary financial arrangements. To this M. Sazonow replied that this would never be accepted by the Council of Ministers unless they got an assurance from us that Russia would not be required to defray the cost of construction. I next suggested that he might revert to the formula which I had proposed to him originally, but he said that this formula would also be objected to by Council of Ministers, which would

refuse to be a party to any arrangement calculated to secure a f[illegible] for Germany. I ventured to point out that Russia, by refusing to c[illegible] or give any guarantee, would be virtually abandoning all idea [illegible] in Persia or of maintaining her influence in that country. To this he replied that perhaps I was right, but that if the Government adopted this attitude they could not at any rate be reproached with having facilitated Germany's access to Persia.

I told him that our messenger arrived on Saturday, and begged him to [illegible] until I saw him again after the messenger's arrival, remarking at th[illegible] if France was really ready to participate, and if it was possible, [illegible] admitted, that something towards the cost of the line from Enzeli to Tehran might be contributed by Russian financial houses, then he might always count on the possibility of private English firms being found willing to contribute the remainder. M. Sazonow said that he would wait, but insisted on the importance, both f[illegible] general, of some a[illegible] Turkish Government was about to discuss the Bagdad Railway [illegible] Britain. It appeared that Turkey had already sounded Germany as to approaching [illegible] and the attitude of Turkey and Germany in this matter was one of the consequences which had resulted from the meeting at Potsdam. His Excellency added that he was unable to understand why Great Britain, if her requirements as to the Gulf section were about to be satisfied, was now taking up the question of the construction of railways in South Persia. I replied by observing that it was by no means certain that her requirements as to the Gulf section would be satisfied.

I venture to hope that it may be found possible to furnish me with instructions before next Saturday, the 18th February.

5394] No. 96

Sir Edward Grey to Sir G. Buchanan

[illegible]

Foreign Office, February 17, 1911

[illegible] Did the Russian Ambassador to-day of the substance of your telegram No. [illegible] Secret, and of my telegram in reply.

I explained to him that our great difficulty would be to induce British c[illegible] ways in the south of Persia. I anticipated that British capital w[illegible] this in any railway in Persia without a Government guarantee. British capital could not be expected to do for Russian trade in the north of Persia what it would not do for British trade in the south.

The idea that the Russian Government might be unable to give a guarantee for the proposed railway in the north of Persia was new to Count Benckendorff [illegible] him some surp[illegible]

I also told him that M. Sazonow apparently thought that he could [illegible] with the negotiations with Germany until the Russian railway in the n[illegible]

I reminded Count Benckendorff that I had stated at the beginning of those discussions about the Potsdam negotiations that it would be a great pity if the Russian negotiations with Germany were broken off as it would certainly make the relations between Russia and Germany difficult.

Count Benckendorff was fully alive to this consideration.

I took the opportunity of saying to Count Benckendorff with what great relief I had heard the news of the withdrawal of Russian troops from Kazvin.

I am, &c.,

E. GREY.

4216] No. 97

Edward Grey to Sir G. Buchanan

(No. 47.)

Sir, *Foreign Office, February 15, 1911*

I TOOK an opportunity of telling the Russian Ambassador to-day that a Turkish Minister for Foreign Affairs had spoken more than once to Sir Gerard Lowther on the subject of the Bagdad Railway, and had said that he expected soon to be able

[illegible] out proposals in writing. But we had not so far received any written proposals, and we were therefore not yet negotiating. We had, however, expressed our willingness [illegible] for them carefu[illegible] that the Turks had presumably made an arrangement [illegible] way which would empower them to negotiate with us.

[illegible] and that I assumed that they were discussing the matter with Germany, but they had not yet told us definitely that Germany had given them a free hand to negotiate with us as they pleased about the section from Bagdad to the Gulf, which was the important questi[illegible]

I am, &c.,

E. G[illegible]

5736 No. 98

Sir E. Grey to Sir [illegible]

[illegible]

Foreign Office, February 16, 1911

IN view of the fact that the Russian Government are not willing to provide either [illegible] or guarantee for railway from Enzeli to Tehran, we have been asked by Russian Minister for Foreign Affairs for assurance that British capital would be forthcoming. Russian Minister for Foreign Affairs states that M. Pichon has given sympathetic [illegible] reply as regards French capital, and you should ask him what the prospects really are.

If the French Government can get Russian Minister for Foreign Affairs out of his difficulty on this point I shall be delighted, but I do not believe British capital can be induced to invest in any Persian railway without a guarantee.

5574] No. 99

Sir E. Grey to Sir G. Lowther

[illegible]

Foreign Office, February 16, 1911

[illegible] Your telegram No. [illegible] willing to receive the Turkish proposals for consideration, and you may inform Minister for Foreign Affairs [illegible]

5930. No. 100

Sir Edward Grey to Sir E. Goschen

[illegible]

[illegible] one of conversation to-day [illegible] the Christmas holidays, I had held out the expectation that after the Cabinet had reassembled a reply would be sent to the German Chancellor's memorandum. He asked whether I could give him any further information.

I said that we had already sent a reply about the exchange of naval information; I had sent that without waiting for the Cabinet to meet, as Count Metternich had [illegible] me that this was decidedly a matter which could be discussed independently [illegible] political discussion. You had already had a conversation with the [illegible] cellor about it.

Count Metternich said that he had lately heard that a communication had been received on that point.

As to the larger question, I told him, informally and privately, that the week before last I had drafted something which I thought might be given to the German Chancellor [illegible] the form of a memorandum of conversation, as the German Chancellor had given a communication to you. My absence last week, and that of the Chancellor of the Exchequer, had delayed matters a little. But the draft would be considered by the Cabinet now, and I hoped to be able to send the communication soon. I also [illegible] that it would advance matters a little further.

I saw nothing in what the German Government had stated on definite points, such as the Bagdad Railway or railways in Persia, that should prevent an agreement

between us. In Persia we had special political interests, not because we desired to push our own political influence, but because we did not wish to see the *status quo* disturbed in a way which might alter the political situation to our disadvantage. But this *status quo* did not, in our view, comprise exclusive commercial arrangements; and if, as I understood, the object of the German Government in Persian affairs was purely commercial and not political, I did not see why our respective commercial interests should not be susceptible of agreement.

Count Metternich entirely assented to the statement that German interests in Persia were commercial and not political.

He then asked me whether I had much news from Turkey; he mentioned the troubles in the Yemen and finally asked whether anything was passing with Turkey about the Persian Gulf.

I said that Rifaat Pasha had informed us confidentially that he hoped to make proposals to us about the Bagdad Railway. We had expressed [illegible] receive and consider whatever proposals he made. But these com[illegible] amount to much yet, and no doubt Rifaat Pasha had kept the Ger[illegible] in Constantinople informed of them. Our reply to the German Chancellor [illegible] probably touch upon the question of the Bagdad Railway, and it was a little difficult to know whether we were to negotiate with Germany or with Turkey.

I am, &c.,

[illegible]

5542 No. 101

Sir Edward Grey to Sir Edgar Speyer.

[illegible] *Foreign Office, February 16, 1911.*

[illegible] your proposal to try to obtain and [illegible] stock which go to make up the 11,000,000 [illegible] the German loan to Turkey.

It is not in my power to control the operations of the British money market, and I cannot therefore give advice on the subject.

I am, &c.,

E. GREY.

(6284) No. 102

The Earl of Crewe to Government of India.—(Communicated by Inc[illegible] February 17.)

Telegraph. *India Office, February 16, 1911.*

RAILWAY.

Please refer to telegram dated the 3rd May, 1910, from your predec[illegible] Telegram was sent on the 13th February, 1911, to His Majesty's Minister at Tehran, to the following effect:—

(Already printed. See "Secret Series" print, February 1, Section 1 (5647).)

Your views on general question should be communicated as soon as possible by telegraph; propriety of railway guarantee to be shared by Treasury should especially be considered by you. Proposals made in the telegram from Sir E. Grey to His Majesty's Minister at Tehran are connected not with the scheme for a railway [illegible] Persia, but with situation created by Bagdad Railway. Lines of primary importance should be selected, as it seems necessary to avoid frightening the Persian Government by making too large a demand.

[5955] No. [illegible]

Sir F. Bertie to Sir Edward Grey.—(Received February 17.)

No. 10[illegible] Secret.

(Telegraphic.) P. *Paris, February 17, 1911.*

With reference to your telegram No. 37 of the 16th instant, I have the honour to report that I saw M. Pichon to-day, and spoke to him in regard to the prospect of French financial assistance for the construction of the proposed Enzeli Tehran Railway. M. Pichon told me that, in reply to an enquiry by M. Isvolsky as to whether the French Government would be prepared to facilitate the provision of French capital for this railway without a guarantee from the Russian Government, he had told his Excellency on the 12th instant that he would be personally very glad if the money could be found in Paris, but that it would be impossible to judge whether a French syndicate would entertain the Russian proposals until surveys had been made and estimates of costs and other details were examined. If the Russian Government would not give a guarantee, some other security would probably have to be provided.

M. Pichon thinks that concessions of some kind might be found to afford the requisite security.

5956 No. 104

Sir F. Bertie to Sir Edward Grey.—(Received February 17.)

Secret.

(Telegraphic.) P. *Paris, February 17, 1911.*

In the course of an interview with M. Pichon to-day his Excellency told me the Russian Ambassador had spoken to him on the 12th instant on the subject of Potsdam interviews. M. Isvolsky said on that occasion that he knew that it had been thought in London that some secret agreement had been come to between Russia and Germany at Potsdam, and he enquired whether the French Government entertained [illegible] action. If such were the case, M. Isvolsky said he was instructed to give [illegible] of his Government, the most solemn assurance that the [illegible] Governments had made no arrangements beyond those which [illegible] communicated by the Russian Government to the Government of the [illegible]

Pichon replied that the French Government did not suspect their ally of [illegible] held with Germany any secret agreement which had not been divulged [illegible] them, but, at the same time, they considered it regrettable that the Russian Government had not taken them into their confidence before the arrangements with Germany were negotiated by M. Sazonow.

M. Pichon told me that M. Isvolsky had then said that he hoped that should the French Gov[illegible] subject of the Bagdad Railway, they would keep the [illegible] informed of their progress, and that he had replied that he would be wi[illegible] M. Isvolsky had suggested.

5756 No. 10[illegible]

Sir Edward Grey to Sir G. Buchanan.

[illegible] *Foreign Office, February 17, 1911.*

It appears to be so many inconsistencies in M. Sazonow's statements, that a [illegible] explanation of my views on certain points which appear to be clear as the [illegible] I can make to your telegram No. 38 of the 16th February.

1. [illegible] has advanced so far, I entirely agree that a failure of negotiations between Russia and Germany would be politically disastrous.

2. The Russian Government are naturally in a better position than anyone else to weigh the disadvantage of giving Khanikin Teheran line to Germany. We can hardly press objection if the Russian Government feel it necessary and can reconcile it with [illegible]

their interests, provided that, as regards other matters arising out of Anglo-Russian [illegible] cement, they keep their hands free to co-operate with us.

8. Without some guarantee I cannot hold out prospect of British capital being willing to invest in Persian railways. That French capital should do so either would [illegible] doubtful.

[illegible] of Bagdad Railway, we do not yet know if we are going to get what we want, nor will a satisfactory settlement of this question prevent British trade from remaining dependent on line from Bagdad to Khanikin, and possibly [illegible] line from Khanikin to Tehran controlled by Germany. The acquisition of independent means of access by railways in South Persia, constructed under conditions [illegible] secure equal commercial advantages, may become an important question for us [illegible] any case, in order to prevent railway projects in South Persia from falling a[illegible] other hands, His Majesty's Government desire to take up the question th[illegible] The substance of the above has been communicated to the Russian Ambassador [illegible] M. [illegible] sense, adding that I summed up the [illegible] M. Sazonow must confirm his promise [illegible] means that a branch from Khanikin to Tehran shall be made, and that Russia must decide whether she will make the line herself or get it made by foreign capital, or leave it to Germany to make it. This question will have to be already decided [illegible] the time when, some years hence, the promise has to be fulfilled.

6029 No. 106

The Earl of Crewe to Government of India.—(Received at Foreign Office, February 18.)

[illegible] Telegraphic. P. *India Office, February* [illegible]

KOWEIT. Please expedite your reply to my telegram of the 27th January, as subject will shortly be broached by the Turkish Government. A scheme has been indicated by the Turkish Minister for Foreign Affairs, under which the Gulf section of the railway, though remaining Ottoman, would be internationalised, the shares being [illegible] key. Control of the port, as defined in the 4th condition of my telegram above referred to, would presumably be considered essential by you.

6086] No. 107

Sir G. Buchanan to Sir Edward Grey.—(Received February 18.)

[illegible] *St. Petersburgh, February* 18, 1911.

[illegible] Your telegram No. 55, Secret, of the 17th.

I saw M. Sazonow today, and his Excellency told me that his revised draft of the agreement had virtually been accepted by the Council of Ministers. The articles as [illegible] telegram No. 33 of th[illegible] are worded as follows:

Article 2 begins: "Ru[illegible] of railways in North Persia [illegible] the remainder of the article reading as before.

This addition has been made in order to satisfy Russ[illegible] The following has been added as a fourth article:

In the event of Russia waiving her rights in the matter of the connecting line mentioned in article 2 in favour of other concessionaires, the [illegible] of the agreement will not be affected thereby."

This article is added in order to obviate the danger of Germany repudiating the agreement in the event of Russia ceding her right to construct the railway to [illegible] interests and syndicate.

M. Sazonow pointed out that the present formula would allow Russia time to make whatever financial arrangements might commend themselves to her, and he therefore

proposed to say nothing to Germany about the possibility of French or English c[illegible] participating. He added that he hoped that the Council of Ministers and the Emperor would now give their final sanction, and that he would in a few days be able to hand the revised d[illegible]

6087] No. 108

Sir G. Buchanan to Sir Edward Grey.—(Received February 18.)

(Telegraphic.) P. *St. Petersburgh, February* 18, 1911.

RAILWAYS in Persia.

Your telegrams Nos. 52 to Tehran and 55 to me.

[illegible] w M. Sazonow this afternoon, and communicated to him your views as to railway construction in the south of Persia. He asked whether His Majesty's Government were contemplating the construction of any special line, and I said that no [illegible] been arrived at on this point, but that I expected to hear shortly [illegible] from you on th[illegible]

At the same time, I thought it well to remind M. Sazonow of the favourable v[illegible] which he had exp[illegible] Khanikin. I ad[illegible] England there h[illegible] presumed that the latter line would be as favourably regarded by him as the other [illegible] in supporting the idea of the Mohammerah Khanikin line, [illegible] inated by the opinion that the construction of that line would put a [illegible] to that of the Gulf section of the Bagdad Railway. The probability of such a line being eventually constructed had been brought to his notice in a telegram. This [illegible] gram he had submitted to the Council of Ministers, and the Council had approved [illegible] project on the same grounds—that its realisation would check the construction of [illegible] lf section of the Bagdad Railway. At the same time, the Ministers of Commerce [illegible] ance had pointed out that, if the Gulf section of the Bagdad Railway were to [illegible] would not regard the Mohammerah Khanikin line wi[illegible] equal favour [illegible] that these two Ministers would object to the scheme for a line running from Mohammerah in a due northerly direction. British railway interests, he would have thought, lay further to the south.

I then let the subject drop, but, in view of M. Sazonow's remarks, I think it would be well, before taking any steps for surveying the trace of the M[illegible] wherein that line to obtain the assent of the Russian Government.

5956 No. 109

Sir Edward Grey to Sir F. Bertie.

[illegible] *Foreign Office, February* 18, 1911.

[illegible] e to your telegram No. 11 of the 17th February, you might mention confidentially to M. Pichon that we had no suspicions of the character indicated by Russian Ambassador at Paris. We admit that M. Sazonow has been quite frank with us as to his difficulties, though we think he entangled himself too far at Potsdam.

[6648] No. 110.

Sir Edward Grey to Sir G. Buchanan.

[illegible] *Foreign Office, February* 18, 1911.

COUNT BENCKENDORFF spoke to me to-day about a guarantee for the Tehran-Khanikin railway, saying that evidently it had been a British guarantee which M. Sazonow had had.

I said that of course it was out of the question that there should be a British guarantee for a railway in the north of Persia or for the Tehran-Khanikin line, for the [illegible] other places in which we were directly interested, would certainly have priority.

He then asked whether we would join in an international guarantee.

I replied that, if Russia, France, and Germany were all to guarantee the Tehran-Khanikin line, I personally should be in favour of joining in that guarantee, because I should then judge the matter, not as a commercial question, but as a means of [illegible] agreement. I could not, however, commit the Government, or do more than express my own personal opinion, at this stage.

I am, &c.
E. GREY.

6159 No. 111.

Sir G. Lowther to Sir Edward Grey.—(Received February 20.)

(No. 95.)

Sir,

Constantinople, February 11, 1911.

I HAVE the honour to forward herewith a despatch from His Majesty's consul-general at Beirout, reporting on the arrangements for the transport of 120,000 tons of rails for the Baghdad Railway by the new French Tripoli-Homs line to Aleppo.

I have, &c.
GERALD LOWTHER.

Enclosure in No. 111.

Consul-general Cumbo-Patchett to Sir G. Lowther.

Beirout, February 2, 1911.

I HAVE the honour to report that Mr. Acting Vice-Consul Harris [illegible] Messmer Pasha, the engineer of the Baghdad Railway Company, visited Tripoli towards the middle of January in connection with a contract between his society and the French Railway Company for the transport of 120,000 tons [illegible] Aleppo as soon as the Tripoli-Homs section is finished and in working order.

Storehouses have also been rented for the use of the Baghdad Railway [illegible] preparations are being made to build a stone quay for landing the goods that arrive [illegible]

[illegible] are taken as indicating an intention on the part of the Baghdad Railway Company to proceed actively with the last section of the line, and to use Tripoli as a base of operations.

I understand that the contract price for the carriage of the rails was high, and that in fixing this and the rent for the stores at Tripoli none of the usual German frugal characteristics [illegible]

I have, &c.
H. A. CUMBO-PATCHETT.

16164

Sir G. Lowther to Sir Edward Grey.—(Received February 20.)

(No. 100. Confidential.)

Sir,

Pera, February 14, 1911.

[illegible] 23rd ultimo, I have the honour to [illegible] to me regarding the negotiations [illegible] and the Baghdad Railway [illegible] nor for any of the proceeds of the 4 per cent. customs increase, nor for the sums to be derived from the proposed tobacco tax, nor from the monopolies which it was contemplated establishing. He hoped then that the conditions laid down by His Majesty's Government, that the receipts from the 4 per cent. should not be devoted either directly or indirectly to the Baghdad Railway, would thus be complied with. I observed [illegible] this question had always been that we could not agree [illegible] on our goods without our being able to point [illegible] for our traders in another direction. To this his Excellency [illegible] said he thought we should find it in what he would propose later on [illegible]

The company would then depend for the later sections on the revenues which had [illegible] set aside for the early sections, which, with some sacrifice on its part, would prove sufficient for the completion of the final sections to Baghdad.

It may also be that such large economies have been made on the building of the early sections that the balance will be sufficient for the final sections which, once the railway arrives at Aleppo, will be comparatively easy of construction. Rifaat Pasha went on to say that the company would be allowed to divert the present force of the line to Alexandretta, which concession it has always endeavoured to obtain but to which the staff of the army had invariably objected. On the other hand, and this was the basis of the whole arrangement, the company would give up its rights to the building of the Baghdad-Persian Gulf section. His Excellency said that he be[illegible] what we required was that our commercial interests in the [illegible] Gulf and Mesopotamia should be safeguarded, and that we feared that w[illegible] the Persian Gulf section to fall into the hands of a third Power, our [illegible] might be endangered. The Ottoman Government would consequently sugge[illegible] though the line would remain Ottoman, that section should be [illegible]

Although Russia took an interest in the line, she would certainly not put any [illegible] into it. The terminus of the line could be either Bussorah, w[illegible] could, without undue expenditure, be made into a good [illegible] that the terminus of an Ottoman Railway could only be in Ottoman territory, [illegible] if Koweit were eventually decided upon, some modification of the present [illegible] satisfactory *status quo* would be necessary, and he hoped in view of the desire which [illegible] friendly relations, that a satisfactory [illegible] question would become possible. The Ottoman Government would, of course, should the plan which he had outlined take shape, be prepared to give [illegible] undertaking in writing that Koweit should never be alienated to a third Power. His Excellency said also that the port of Koweit should in his proposed plan also be built [illegible] syndicate as the railways.

His Excellency said that later on he would be prepared to lay these proposals [illegible] in writing, but he begged that in the meantime they should be regarded as [illegible]

He would, however, take an early opportunity of communicating to the French [illegible] the conditions under which the Ottoman Government were negotiating [illegible] Railway, and his plans for the eventual settlement of the question.

I have, &c.
GERALD LOWTHER.

6170] No. 113.

Sir G. Lowther to Sir Edward Grey.—(Received February 20.)

(No. 106.)

Sir,

Constantinople, February 15, 1911.

[illegible] yesterday, I stated that Rifaat Pasha had said that the [illegible] prepared to give Great Britain a written [illegible] Power. It is difficult to see what practically [illegible] have, and, to judge by your despatch dated the 20th January to [illegible] Office, it would appear to be rather a question of obtaining, in certain contingencies, a reliable undertaking that the internal *status quo* of the Sheikhdom [illegible] territory should be respected—a condition of things which would seem well [illegible] compatible with the acknowledgment of Turkish suzerainty or sovereignty (as stat[illegible] despatch No. 28, Secret, of the 18th January, to Sir F. Bertie). Koweit's [illegible] is undefined and has been considerably encroached on by the Turks, especially [illegible] rate the map attached to volume I of W. G. Palgrave's [illegible]

[illegible] entral and Eastern Arabia," where the sheikh's territory marked in diff[illegible] from that of Turkish and independent Central Arabia in 1865—[illegible] forward policy in those parts of Namik and Mo[illegible] extending north of Fao. Presumably the land frontier would [illegible] stipulations made as to the administration on both sides of the line. The whole positio[illegible] present Central Government can apparently maintain itself in power only in victor[illegible] the state of siege, and won[illegible] [illegible]shed.

[illegible] article in the "Tanin," Ismail Hakki Bey Babanzade, deputy for Bagdad, discusses the question of an arrangement with England concerning the Bagdad [illegible] and the Persian Gulf. He says that, from the Turkish standpoint, "th[illegible] question is the Persian Gulf, and the Bagdad Railway takes second p[illegible] question, differences and misunderstandings have [illegible] the latter it is only surmised that they may arise; althoug[illegible] sovereignty is established and clear in the Persian Gulf, it is attacked by England at [illegible] points, whereas in the matter of the railway even England admits that Ott[illegible] sovereignty cannot be discussed." He goes on to say that the object of an a[illegible] with Eng. cannot be to secure important interests to England or any other P[illegible] should be to put an end to the rivalry of two Great Powers. "If the matter is indeed [illegible] drawing unlawful profit from the confusion." Turkey, he says, has no such aim, but unfortunately the statements of the most important English writers do not point to [illegible] over the Bagdad R[illegible]

"Any Ottoman statesman would be made to negotiate on the basis of control. Perhaps the talk of control is simply a scheme to nullify the negotiations from the start. But never mind, for at any rate part of the dark curtain will have been raised and some of the secret aims discussed, which is a gain in itself. [illegible] permissible question had been discussed before this absurd proposal was put forward, a more benevolent intention would have been shown. There is the Batoum question and certain other questions which are claimed as [illegible] of it. There are the treaties concluded with sheikhs. One ought to [illegible] the effect these treaties have as regards third parties. Also [illegible] the Koweit question, &c."

Ismail Hakki Bey thus raises the question of Bahrein, Katar and the trucial chiefs, if not Muscat, and it would certainly seem polite, if not imperative, to settle [illegible] the status of those places, [illegible] Turkey, before [illegible] Turkish pretensions to Koweit.

I have the honour to enclose a translation of an article in the "Ikdam," a paper of an arrangement regarding Koweit and the Gulf. It is conceived in a more reasonable and friendly spirit, but represents perhaps the non-committee point of view, as opposed to that of Ismail Hakki Babanzade and other such extremists as are now in power. Should the present internal crisis lead to an elimination or [illegible] of the obstructive element, any discussion with Turkey concerning [illegible]

GERARD LOWTHER.

Enclosure in No. 113.

Extract from the "Ikdam."

TRAITÉ DE L'ANGLETERRE.

LES Puissances s'occupent maintenant de leurs intérêts en Orient ou des intérêts [illegible] elles croient avoir en Orient. L'antagonisme entre les Puissances ne saurait [illegible]

La période d'existence que notre vie politique traverse actuellement est très importante au point de vue de la sauvegarde de notre avenir. La moindre faute que nous pourrions commettre aujourd'hui dans notre politique étrangère peut donner lieu

à des conséquences des plus regrettables pour l'avenir. Aucun pays n'a une influence [illegible] l'Angleterre et qui amèneront forcément un échange de vues entre les deux Gouvernements que nous devons connaître le plus tôt possible les points de vue de l'Angleterre sur toutes ces questions. Quoique l'Allemagne ou la Russie [illegible] d'autres points de vue, regardées comme plus fortes que l'Angleterre, la [illegible] anglaise est, pour nous, plus importante que toutes les autres. Car c'est le Gouv[illegible] anglais qui pourra jouer le plus grand rôle politique en Orient.

[illegible] nous proposons aux diplomates qui ne sont pas convaincus de ce rôle de [illegible] les résultats politiques qui découleraient de la conclusion d'une ent[illegible] grande Puissance. Nous croyons que l'Allemagne, le plus grand [illegible] de l'Angleterre dans les domaines du commerce et [illegible] les propositions que l'Angleterre pourrait lui faire [illegible] envers elle il faut nous [illegible]

[illegible] Edward Grey avait fait preuve [illegible] de la Bas[illegible] pourparlers sans hésitation.

[illegible] la prédiction de la "Vossische Zeitung," qui, en réponse au [illegible] pourra se produire entre l'Angleterre et la [illegible] Nous sommes sûrs que si nous [illegible]

6356 No. 114

Sir G. Barclay to Sir Edward Grey.—(Received February 20.)

P. *Tehran, February 20, 1911.*

RAILWAYS.

I concur in the course indicated in first three paragraphs of your telegram No. [illegible] of the 14th February, but I should prefer not to take action at the present mom[illegible] To broach the question of railways at this juncture would, I have good reason to [illegible] embarrass the Regent and I think it would be politic to postpone moving in the matter for a week or two in the hope that Nasr-ul-Mulk will by then be firmly established. At the present moment his Highness is endeavouring to allay the anti-British and anti-Russian feeling in the country, and circumstances may shortly be more favourable for treating the railway question.

I would recommend, after consultation with Colonel Cox, that when His Majesty's Government decide to apply for the Mohammerah Khorremabad concession I should be authorised to approach Persian Government and to inform sheikh as soon as application has been made, as I fear Persian Government would resent alternative [illegible]

It appears to me highly desirable that Lieutenant Wilson's services should now be utilised for a survey of the sections outside the Russian zone. Colonel Cox telegraphs that since he wrote his despatch No. 2041 of the 2nd October to Government of India conditions have become more promising than he anticipated. Improvement may be only temporary, and Wilson should be authorised to start immediately if he is to undertake th[illegible]

With regard to risk which will attend Wilson's journey, there appears no likelihood [illegible] to judge, after he has stayed a little at Dizful, of the advisability of persevering. [illegible] delay which has elapsed will, however, make it impossible for him to obtain [illegible] consul-general and he will have to use his discretion in the matter.

I agree with His Majesty's consul-general in thinking that no useful obj[illegible] served by consulting Persian Government with regard to the proposed t[illegible] might try to obstruct, they could not in any case assist or protect [illegible]

[5158] No. 115

(No. 1[illegible])

Sir,

I HAVE received your Excellency's despatch No. 37 of the 9th instant, reporting [illegible] have taken place between yourself and the Russian Minister for Foreign Affairs relative to the negotiations in progress between Germany and Russia respecting the Bagdad Railway and railway construction in Persia.

The language held by your Excellency to M. Sazonow [illegible]

I am, &c.
E. GREY.

6520] No. 116

[illegible]

St. Petersburgh, February 21, 1911.

[illegible] 8th February.

The revised draft of the agreement, in the form in which it was shown to me on Saturday last, was handed to the German Ambassador to-day. In handing it to Count Pourtales, M. Sazonow expressed to his Excellency the hope that it would be accepted as it stood, and that the German Government would not propose any alterations which were not of a purely verbal character. Count Pourtales offered no objection, and reiterated the hope expressed by M. Sazonow.

M. Sazonow addressed enquiries to me as to our negotiations with the Turkish Government. I think it would have a tranquillising effect on him if I were able to tell him that His Majesty's Government would keep him [illegible] of these negotiations. I see that some such assurance has been given to [illegible] Ambassador in Paris by the French Government. (Sir F. Bertie's telegram of the 17th February.)

6356] No. 117.

Edward Grey to Sir G. Buchanan.

(No. 51.)
(Telegraphic.) P. *Foreign Office, February 21, 1911.*

I AGREE in postponement as suggested in your telegram No. 53 of the 20th February.

You should in no case make any move without further instructions, as we have not yet learnt views of Government of India.

I should like to know whether you consider Mohammerah line to be of greatest importance to British commerce, or whether, in this connection, you prefer other [illegible]

6356 No. 118

Sir Edward Grey to Sir G. Buchanan.

(No. 63.)
(Telegraphic.) P. *Foreign Office, February 21, 1911.*

LIEUTENANT WILSON'S survey. Your telegram No. 43.

[illegible] for that we should obtain Russian concurrence before giving Wilson [illegible]

Of course, no survey would be undertaken in Russian sphere.

5542 No. 11[illegible]

Sir E. Speyer to Sir Edward Grey.—(Received February 2[illegible])

Sir Edward, 7, *Lothbury, London, February 20, 1911.*

I AM obliged for your letter of the 16th, in which you write "It is not in my power to control the operations of the British money market."

I am afraid the language and purport of my letter must have been misunderstood.

What I sought to obtain from you was a statement that the Foreign Office would not continue to discountenance the issue of Turkish loans in this country.

If the Foreign Office did say proved of such issue the British public would not be asked by my firm to subscribe.

As your letter is silent on this point, from which approval cannot, in my opinion, be inferred, no attempt will be made to secure the option, and no issue will be made by my firm.

If the British public desire to invest in a new Turkish loan, they will have to apply to Germany or France, with the result that the preponderating financial interest in Turkish matters will certainly not be lost in this country.

I am, Sir, &c.
EDGAR SPEYER.

6669 No. 12[illegible]

Sir Edward Grey to Sir [illegible].—(Received February 2[illegible])

Foreign Office, February [illegible]

[illegible] in No. 63 of the 21st February.

[illegible] consult M. Sazonow before beginning the survey of the line he may think, after his recent remarks to me, that we are not acting straightforwardly by him. I am, therefore, strongly of opinion that he should first be consulted. In our recent conversations, he has repeatedly referred to our approaching negotiations with Persia [illegible] to give me the impression of suspecting that [illegible] and from [illegible] Government stated in their memorandum of the 13th August, [illegible] that some arrangement would have to be made to prevent the railway from Julfa [illegible] Mohammerah, which was then being discussed, from affecting injuriously the [illegible] interests of Russia in North Persia. I think, therefore, that it would be well [illegible] M. Sazonow that the survey which we now desire to make is only a [illegible] in any respect. That we should come to an understanding with the Russian Government [illegible] direct [illegible]

6520 No. 12[illegible]

Sir Edward Grey to Sir G. Buchanan.

Foreign Office, February 22, 1911.

[illegible] with regard to Persian [illegible]

As yet we have received no definite proposals on the subject (see your telegram No. 46 of the 21st February), though we have informed the Turkish Government that we are willing to consider any which may be made in writing. Your Excellency will be kept posted on the subject for Minister for Foreign Affairs's information.

5542.

No. 122

Sir Edward Grey to Sir Edgar Speyer.

(Private.)

Dear Sir Edgar Speyer, *Foreign Office, February 22, 1911.*

YOUR reply to my letter seems to imply that I must have some responsibility for

The object of my letter was to say that I could not undertake responsibility for this I must adhere.

Yours very truly,

E. GREY.

6698.

No. 12.

Sir F. Bertie to Sir Edward Grey. (Received February.)

No. 86.)

Sir, *Paris, February*

WITH reference to my despatch No. 77 of the 18th instant, I have the h
inform you that in the waiting-room at the Ministry for Foreign Affairs to-day, the
Russian Ambassador referred, in conversation with the German Ambassador, to French
newspaper habits, and stated that "La Libre Parole" had published an interview with
him which had never taken place.

I have &c.

FRANCIS BERTIE.

6972.

Sir G. Buchanan to Sir Edward Grey. (Received

(No. 19. Secret.)

(Telegraphic.) P. *St. Petersburgh, F*

YOUR telegram No. 69 of the 23rd February. Railways in Sout

In accordance with your instructions, I made a communication on the subject to M. Sazonow, who expressed his thanks. He made no comment, but only remarked that the report which had reached him as to a scheme for building a line from Mohammerah to Khanikin was presumably unfounded.

7161.

No. 125.

Sir G. Buchanan to Sir Edward Grey.—(Received February 27.)

(No. 14. Secret.)

Sir, *St. Petersburgh, February 21, 1911.*

SINCE the departure of the last messenger the Russo-German negotiations have been advanced a stage, and M. Sazonow has at last, after much hesitation and after repeatedly changing his position, succeeded in remodelling the draft agreement
own and his colleagues' satisfaction. The difficulties with which he has
during the past fortnight have proceeded not so much from the side of
from the opposition which some of his proposals
M.

In my despatch No. 37 of the 9th February
had received from the Russian Ambassador in L
necessity of taking more account of the wishes of t
Such an impression indeed did those telegrams make on him that, after pondering over the matter for forty-eight hours, his Excellency sent for me and protested in an agitated and reproachful tone that his attitude with regard to the Tehran–Khanikin Railway had been completely misunderstood by His Majesty's Government. Had he not, he said, explained to us both before and after Potsdam that the possession of this line was a matter of vital moment to Russia? Why

at over it, in a way that we had never done over the Bagdad Railway
Could I tell him what had happened? Had Count Benckendorff, wh
exaggerated, exaggerated matters? He had hoped that Sir A. Nicolson,
ussia so well, would have had more confidence in him, but he feared
from the latter's language to Count Benckendorff that this was not the case. He
aware that much of the uneasiness felt at Paris on the subject was due to the fact that
French Ambassador had misrepresented him and had given his Government to under-
that he had actually broached the question of the cession of the line to Germany
with Count Pourtales.

ded that His Majesty's Government perfectly understood the special position
ed with regard to the line in question, but that they did not wish
to see it pass into German hands. I had never told His Majesty's Government
he had submitted to Count Pourtales a proposal for its cession, but I had felt it
to warn them that such a cession was an eventuality with which they
he confronted. I reminded his Excellency of all that he had said to
ficulties which prevented Russia engaging to construct the line herself and asked
what other impression his language could possibly have left on me but that he
seriously contemplating this step. All that M. Sazonow was able to answer was that
was not he, but the Minister of Commerce, who had in the Council of Ministers contended
that, as the line could only further Germany's economic interests, it was better that she
should bear the cost of its construction. He had personally always advocated keeping the
control in Russian hands, and had been endeavouring to effect an arrangement with
which Russia would have participated to the extent of 60 per cent. The fact that the
Duma could not be built for another six years would have given him time to get over
financial difficulty.

I did not think it necessary to continue the discussion further, and I merely observed
that any misunderstanding which might have been felt in Berlin would have been set
the 8th instant, in which I had reported my last
to him what I had said in th
telegram. M. Sazonow remarked that I had exactly expressed his views, though I
subsequently attempted to deduce from a conversation which Count Benckendorff
had had on the previous day with Mr. Tyrrell, on the subject of British
pation, that our fears were not yet allayed. I renewed mine on this point; and
ed to impress on me the importance of our saying nothing either in
diplomatic circles respecting the idea of the participation of Britain, Russia
ehran-Khanikin line, for fear of its getting to Germany.
remarks on the same subject, his Excellency, somewhat unexpectedly, said that he would
ve me the promoter of the revised text of the draft agreement, although it
submitted either to the Council of Ministers or to the Emperor. He could not at
ke a copy of it, as he wanted to be in the position to say to Germany, should the
text again be divulged, that the only copies in existence were in the possession of the
two Ministers for Foreign Affairs. He would, however, allow me to read it. I thanked
his Excellency for this proof of confidence, and I had subsequently the honour to forward
to you a summary of its contents in my telegram No. 38 of the 11th instant.

I called again on M. Sazonow on the 13th instant to convey to him your thanks
and appreciation of the friendly communication which he had made to us. He
I was much pleased with this message, but said that a fresh
Council of Ministers had objected to the engagement which
to the construction of the Tehran–Khanikin line
the Russian public would denounce the Government for spending
money on a railway which was to open the Persian markets to German trade before
they had taken any steps to provide for the construction of a railway in the north which
would render a similar service to Russian goods. He thought that a line from Enzeli
to Tehran would suffice to tranquillise public opinion, but unfortunately the Duma
would never allow the Russian Government to give a guarantee for any railway in
Persia while railways were so urgently needed in the interior of Russia. He must
therefore appeal to Paris and London for financial assistance, and he hoped that the
financiers who were interesting themselves in the Tehran–Khanikin line would be
disposed to take up the northern line as well. The line from Enzeli to Tehran
ventually constitute the first section of the trans-Persian ra
respective advantage, was likely to prove a more profitable
Tehran–Khanikin line. While the two lines might be treated as one as far as
financial arrangements for their construction were concerned, complete secrecy must be
observed with regard to the latter until after the publication of the Russo-German
agreement.

[illegible] that his Excellency might meet this new difficulty by announcing simultaneously with the publication of the above-mentioned agreement, that the Russian Government were taking steps to obtain from the Persian Government a concession for a line from Enzeli to Tehran. The question of financing the line could, I thought, be left for future discussion. M. Sazonow replied that he could not ask for the concession until he was sure of being able to find the necessary capital, as it [illegible] most important that this line should be commenced as soon as possible, so as to forestall [illegible] line from Khanikin to Te[illegible]

On the receipt of your telegram No. 49 of the 14th instant, I informed M. Sazonow that, without a guarantee on the part of the Russian Government it would be [illegible] difficult for us to induce British capital to participate in either of these railways. [illegible] were ourselves considering the question of the construction of railways in Southern Persia for the promotion of our economic interests, that we might eventually have [illegible] the question of a guarantee; and that we could [illegible] do in Northern Persia what it would probably refuse to do in Southern Persia, viz. [illegible] guarantee. This communication seemed to depress his Excellency. M. Pokhovo he said had taken a more hopeful [illegible] sympathetic view of the question, and he did not attempt to conceal his disappointment with our answer. He had, he said, proposed to hand Count Pourtalès the draft of the agreement by the end of the week, and [illegible] did not see how he could now prevent the Tehran Khanikin line passing into the [illegible] of Germany. I said that he could do this by adhering to the formula which he had inserted in his new draft, and by obtaining at the same time a concession for the Enzeli-Tehran line, or by reverting to the formula that I had originally suggested to him, under which Russia would reserve the right of invoking the participation of foreign capital. It was quite unnecessary to hand over the railway to Germany straight off. It would be time enough to do so if, in a few years' time, he found it impossible [illegible] the necessary capital either at home or in Paris and London. He should regret [illegible] that Russia's refusal either to give a Government guarantee [illegible] her quota of the capital might entail the renunciation of her policy of railway construction in Persia and the consequent loss of her influence and prestige. M. Sazonow replied [illegible] that he the case but he feared that the Council of Ministers would not [illegible] either of the alternatives of which I had spoken. They would be said to [illegible] "were they to contribute to an undertaking which would open the door to German goods in the south and leave it shut to Russian trade in the north." They [illegible] on the other hand he reproached should the T[illegible] constructed [illegible] side of their keeping entirely aloof from it. He [illegible] that he would do not one till I saw him again after the arr[illegible]

[illegible] M. Sazonow observed that it was most important both in the interests of Russia and of Europe that an agreement should be arrived at between Russia and Germany. Sir Arthur Nicolson had given Count Benckendorff [illegible] understand that Turkey was about to approach us on the subject of the Bagdad [illegible] that assuring herself that it was approved at Berlin and he thought that this more friendly disposition on the part of the German and Turkish Governments was the indirect result of the Potsdam interview. His Excellency evinced considerable curiosity with regard to the [illegible] which the approaching negotiations were to be conducted, and concluded by [illegible] that if we were going to get all we wanted with regard to the Gulf section [illegible] not understand why we were now taking up the question of railways in South Persia. I replied that His Majesty's Government were as anxious as his Excellency that the [illegible] should be brought to a satisfactory conclusion, but that, as [illegible] was certain that we should obtain what we wanted relative to th[illegible]

When I saw M. Sazonow on the 18th instant after the receipt of your tele[illegible] day, I was agreeably surprised to find that his Excellency had overcome the opposition of his colleagues to the wording of article 2, which deals with the Tehran Khanikin Railway, by inserting a few lines at the commencement [illegible] calculated to allay any apprehensions that might be felt here with regard to the [illegible] railway. M. Sazonow allowed me to read once more the revised text of the agreement in what he gave me to understand would be its final form. It now consists of a preamble and four articles.

The preamble records the principle of commercial equality, recognises Russia's special political interests in Persia, and ascribes a purely commercial character to the interests [illegible]

Article 1 is a revised reproduction of the 4th artic[illegible] that I was able to detect was the omission of [illegible] of a territorial character.

Article 2 reads, as far as I can remember, as follows:—

"The Russian Government, having the intention of securing from the Government of the Shah the concession for the construction of a system of railways in the north, [illegible] to obtain simultaneously a concession for a linking-up line for the Sadi[illegible] in Railway (without Tehran being specified as the junction), when that branch of the Konieh Bagdad Railway shall have been completed."

Article 3 states that Russia will place no obstacles in the way of "cette [illegible]" though she cannot be required to make any financial sacrifices. In t[illegible] which M. Sazonow showed me on the 10th instant the Konieh Bagdad Railway was, if I am not mistaken, referred to as "the above-mentioned railway"—or words to that [illegible] "cette entreprise." The article concludes with a revised version of the [illegible] 3rd article respecting the railways to the north of Khanikin, Germany engaging [illegible] to lend her material or diplomatic support to any such enterprise without a previous understanding with the [illegible]

Article 4 is to the following effect:—

"Should the Russian Government waive, in favour of other concessionnaires, its rights with regard to the linking-up line provided for in article 2, all the other stipulations of the present agreement shall remain in force."

The object of the above article is to guard against the danger of Germany repudiating her obligations under the agreement in the event of Russia ceding her rights with regard to the Tehran Khanikin line to any third parties. M. Sazonow [illegible] possible participation of French and British capital. The formula which he was now [illegible] would give him a perfectly free hand and enable him to make what [illegible] arrangements he liked when the time came. It was probable, he thought, that Germany would insist on inserting in the 2nd article, after the words [illegible] "simultaneously a concession for," the words "and to proceed [illegible] but this was a small matter to which he would raise no objection.

In the course of our conversation his Excellency reverted once more to the [illegible] of our railways in South Persia, and enquired whether we had any particular [illegible] I told him that, though I expected al[illegible] [illegible] mation, as nothing whatever had been decided [illegible] earlier having spoken to me strongly a few weeks [illegible] line from Mohammerah to Khanikin. So far as I [illegible] certain no such project had ever been put forward, but I believed that [illegible] Shamoorah to Khoramabad had been spoken of, and I presumed that this [illegible] would find equal favour with his Excellency. M. Sazonow replied that he had [illegible] as he had done in favour of a Mohammerah-Khanikin railway because he [illegible] that such a line would strike a death-blow to the prolongation of the Bagdad Railway to the Gulf. The Council of Ministers, to whom he had communicated what he had heard on the subject, had approved the project on the same grounds. The Ministers of Finance and Commerce had however, remarked that two such parallel railways would be *de trop* and he very much doubted whether they would approve of a railway running due north from Mohammerah to the Russian sphere. He would have thought it would be more in our interests to construct railways further south, and he did not see what great advantages we would derive from such a line, as it would run for a considerable distance along the banks of the Karun.

On my calling on his Excellency this afternoon M. Sazonow informed me that he had just handed to the German Ambassador the revised draft of the Russo-German agreement which he had shown me on Saturday. He had, he said, endeavoured to impress on Count Pourtalès that he had gone as far as he could to meet the wishes of his Government, and had expressed the hope that the German Government would accept the agreement as it stood and would confine itself to proposing purely verbal alterations. Count Pourtalès had reciprocated this wish and had personally raised no objections to the text.

In the course of our further conversations M. Sazonow once more referred to the subject of our approaching negotiations with Turkey. He had, he said, questioned the German Ambassador on the subject, but his Excellency had professed entire ignorance.

I told him that all that I knew was that we had informed the Turkish Ambassador in London that our ears were open to anything that the Turkish Gov[illegible] wish to say to us on the subject of the Baghdad Railway, and that, so far as I was aware, no definite proposals had as yet been submitted to us. I think, however, [illegible] would be advisable to satisfy his Excellency's curiosity, so far as we could [illegible] as which he [illegible] I am to the course a[illegible] of the 17th instant that M[illegible] such an assurance and I fear that if we fail to do the sa[illegible] are wanting in confidence towards him.

I have, &c.

GEORGE W. BUCHANAN.

(7159) No. 126.

Sir G. Lowther to Sir Edward Grey.—(Received February 27.)

No. 120. Confidential.

Sir,

Pera, February 21, 1911.

[illegible] 9th instant, I have the honour to [illegible] several comments on the [illegible] subject of the [illegible] Persian Embassy for information on the subject [illegible] have begun, and that when they do their success will not be facilitated by my giving [illegible] as to the course of their progress. These rumours are in part traceable [illegible] members of which [illegible] negotiations are in progress with England, and their success would be endangered by [illegible] or pushing to extremes the present Ministerial crisis. They are thus part[illegible] of party political manœuvres. In an interview I had yesterday with the [illegible], his Highness had practically nothing to add to Rifaat Pasha's [illegible] ion reported in my despatch No. 100 of the 14th instant. I informed him, [illegible] d in your telegram No. 49 of the 15th instant, of your readiness to consider proposals that the Ottoman Government might make on the subject. Hakki Pasha [illegible] red to Rifaat Pasha's communication, and said that the difficulty was that they [illegible] not begin negotiations with us until they had settled with the German company [illegible] he basis of their renunciation of their rights in the Baghdad Gulf sections, a[illegible] before arriving at such a settlement it was necessary to ascertain and lay down the general nature of the arrange[illegible]

[illegible] He alluded to the pecuniary in[illegible] Herr Gwinner had discussed matters with [illegible] [illegible] ness on the other and [illegible] expensive sections of the line, and said that Koweit was of course the natural terminus and harbour, but that, if it was impossible to come to a satisfactory arrangement on that point, Bussorah would have to become the terminus, despite its obvious drawbacks, and, referring to Koweit, remarked that "England might feel assured that any place she recognised as Turkish would remain Turkish." Hakki Pasha's use of the word "recognise," if intentional, would seem to indicate his contemplating the possibility of being unable to induce England to recognise the place as Turkish in the committee's acceptation of the word. On the latter point Ismail Hakki Bey Babanzade, in an article in the "Tanin" of which I have the honour to enclose a translation, gives us the committee standpoint. He would only allow the sheikh the autonomy of any Mesopotamian Arab tribes, *e.g.*, the Beni Lam, Muntefik, &c., and would insist on having Ottoman police, customs, and gendarmerie in Koweit, thus restoring Ottoman influence, which has suffered some sort of interruption since 1902, to its original condition." He seems conveniently to ignore the fact that [illegible] that date Turkey can point to no real act of sovereignty in Koweit, e[illegible] taxes or direct administration in any form. I have before alluded to the [illegible] some members of the committee to invite England to refer the matter to arbitration. Ismail Hakki Bey has had great store by the argument that Sheikh Mubarak has accepted the exclusively Ottoman title of pasha. It may be well to remember that

Prince Ferdinand also accepted the title of pasha, as Vali of Eastern Roumelia, where there were no Ottoman police, gendarmerie, or customs. The Turkish claim to Kow[illegible] Katar, Debai, &c., on the grounds that such places acknowledged Ottoman sovereignty [illegible] suzerainty in the sixteenth century is of course preposterous. They have then only [illegible] the basis of conquest or the inadmissible Islamic basis. The constitution proc[illegible]

[illegible]

Midhat Pasha conquests. The independent sheikh may subsequently have yielded a semi-religious and semi-temporal allegiance to the Sultan-Caliph, but in 1902 he broke such ties and bound himself to Great Britain. Ismail Hakki Bey's estimate of Turkish influence previous to 1902 is thus [illegible]

I understood from Rifaat Pasha to-day that the negotiations with the German company are not proceeding as smoothly as when we last spoke to me; and it may be that when pourparlers with us are actually started Ismail Hakki Bey and men of his type may be less influential than they a[illegible]

I have, &c.

GERARD LOWTHER.

Enclosure in No. 126.

Precis of Article in the "Tanin" of February, [illegible]

Discussion about an Entente with England.

[illegible] For some time there has been keen anticipation of the occasion for bringing about an *entente* between the Ottoman Government and England concerning the Persian Gulf, the last section of the Baghdad Railway, &c., and the latest information goes to show that the foundation-stone is to be laid by an exchange of views between Rifaat Pasha and Sir Gerard Lowther. The opinion expressed by the former, that important questions ought to be discussed by statesmen and not in the columns of newspapers, is thus confirmed.

[illegible] Judge by the unreasonable declamations of the "Times" and similar papers, [illegible] no hope of peace between the two parties. But in the more moderate papers the [illegible] appeared a change full of promise. For [illegible] of a novice for England to play an ambitious, grasping role [illegible] increase her resources, and therefore cannot remain without railways [illegible] to right of veto over the extension of the Baghdad Railway in the [illegible] Upon a time many English politicians opposed the Suez Canal project [illegible] attitude shows us that the sense of what is right is not quite extinguished in the [illegible] English, which brings us hope and consolation. Nevertheless there are still [illegible] misdeeds caused by ignorance. For instance a telegram from London to a French paper says that the English Cabinet will confirm Ottoman sovereign rights over Koweit without difficulty, provided the sheikh's autonomy is respected and the harbour of Koweit is left in English hands. Koweit harbour has nothing to do with England [illegible] now. Is it to be anglicised as a reward when Turkey has adopted a favourable policy towards England with regard to the last section of the Baghdad Railway? How can the expressions "Ottoman sovereignty" and "English harbour" be reconciled? To tell the truth, the telegram is nonsense, and we think such a scheme is no more likely to be put forward by England than to ove[illegible]

The real bone of contention is the Persian Gulf. With regard to the Baghdad Railway, there is no disagreement between the two Powers, and obviously there [illegible] be; it is a weapon-less dependent question which will serve to settle the [illegible] question. We do not know how far our views are shared elsewhere; but if there is one thing certain, it is that our consenting to listen to England's aims and objects with regard to the Baghdad Railway is a great favour and sacrifice. There is mutual sacrifice in a bargain; and we ask England for her views on the last section of the Baghdad Railway, and tell her to give up her important position in the K[illegible] questions. That is the first foundation-stone of an *entente*.

We think England is coming round to this view. The object of "control" is now seen to mean preponderant participation in providing the capital, English being a

language which abounds in such elasticity. All the row about the word "control" must therefore be attributed to the elasticity of English.

If the matter had been a piece of plain business, there would have been no need [illegible] Ambassador about the railway; there would have been negotiations between the Ministry of Public Works and the company which was willing to provide the capital. But as the real object was the Koweit and Persian Gulf questions, it was felt that diplomatic approval was needed. When the basis of the entente has been laid with regard to the political and diplomatic points, the commercial and economic part of the question ought to resume its natural course and to leave the soft catspaw of diplomacy with its hidden claws.

[illegible] ate and firm conviction is this—

[illegible] last cause of hesitation will be removed by fixing on Koweit as the [illegible] Baghdad Railway.

2. The Sheikh of Koweit's autonomy will be maintained in accordance with the principles followed with regard to tribes, but as the position of Koweit will increase in importance and delicacy there will have to be police, customs, and gendarmerie in the harbour, and they will be Ottoman. In this way Ottoman influence, which has suffered some sort of interruption since 1902, will return to its original condition. A harbour will have to be built in Koweit, and there is no objection to its being constructed with foreign capital; but the position of the harbour will not d[illegible] that of any other of our harbours which have been [illegible] advantage lies in putting an end to the doubtful po[illegible] and consists in being easy in her mind and not afraid of a (unbecoming) w[illegible] The extraordinary advantage that will [illegible] different for the Baghdad Railway will give it [illegible] England. This means that in order to gain the tr[illegible] of a clearer definition of Turkey's position in Koweit we practically [illegible] future security and life a bargain in which England is again the gainer. But we allow ourselves to be taken in over this bargain in order to extend our future friendly relations with England. If the "Times" and its like complain at this sign[illegible] friendship, and Lord Crewe, Lord Lansdowne, and others again sow the seeds [illegible] coldness by references wounding to Ottoman dignity, England will be harmed not by us but by English statesmen.

(7409) No. [illegible]

Government of India to the Secretary of State.—(Received at Foreign Office, February 27.)

Telegraphic. P. *February 23, 1911.*

PLEASE refer to your telegrams dated the 27th ultimo and the 16th instant regarding Koweit. Following telegram, dated the 10th February, received from Resident, Persian Gulf, who was authorised, during visit he was paying to Koweit, to endeavour, without informing sheikh of motives, to elicit the latter's views:

"Sheikh has been assured by the present vali, whom he has not yet met, that Turkish Government were ready to grant him a firman guaranteeing to preserve his present position and to abstain altogether from interfering in Koweit government or affairs, if only he would comply with their wishes by taking out Turkish papers for son(s). These overtures, the sheikh said, he had always rejected (1) because he believed his action in so doing to be in accordance with our wishes, (2) because he thought that an adjustment on other lines of difficulty regarding property would be achieved by us in due course, in virtue of our agreement with him. It [illegible] personal belief that he would in future receive fair play in regard to his T[illegible] property, if he placated the Turks by registering his son(s). He said that, in his own case, he would not apprehend likelihood that such registration would result ultimately in Turkish interference at Koweit, despite the firman; he felt, moreover, that his engagement with us safeguarded Koweit; but he must in this connection accept our estimate of future possibilities, which he considered British Government were much better able to gauge than himself.

"Sheikh replied in the affirmative to an enquiry whether, in the event of Turkish Government being ready to grant firman in satisfactory terms, and of our obtaining from Porte documentary undertaking of strict observance of firman, he considered that he would be rendered quite secure.

"Above means would appear to provide sufficient recognition of Turkish [illegible] reignty to satisfy Turkish Government, and provided our engagements [illegible] kh held good and were reaffirmed, it would apparently not be resented by [illegible] self.

"With regard to suggested payment of tribute by sheikh, it is corre[illegible] say that tribute never has been paid by sheikhs of Koweit. Receipt of con[illegible] honorary title of kaimakam, annual presents of dates from Bussorah, [authorities?] and sending of voluntary co-operation, such as that rendered in 1871 to Midhat Pasha, [illegible] time of emergency, have been the extent of indications of Koweit sheikhs [illegible] dependence on Turkey. There might be a tacit resumption of those in [illegible] which ceased in 1898, but I earnestly deprecate any suggestions of payment of tribute which would seem unnecessary and unexpected. Sheikh would greatly resent any such suggestion, and impression created amongst other Arab sheikhs in relations with us would be of worst possible character.

[illegible] suggestion No. (4), effective control by land as well as by sea, [illegible] as in Egypt, is, I presume, meant by 'control of port.' Unless [illegible] if we did not control last section of the railway, frontier [illegible] ght was innumerable impracticabilities.

Questions of ex-territoriality, &c., would necessarily ari[illegible] our secure terminus of railway and large commercial port with for[illegible] houses, and a more civilised administration, over which British Gover[illegible] would deal with foreign Powers on sheikh's behalf, must exercise supervis[illegible] have to be substituted for crude regime of sheik[illegible].

Stipulation that Warba, Bubiyan, and Um Kasr be recognised as in sheikh's sphere of control, and removal of present Turkish guards, should be included in any [illegible] recognition of Turkish suzerainty.

[illegible] stipulation would also appear to be necessary that definite d[illegible] event the terminus should be specific condition of recog[illegible] this stipulation is made, it would be open to Germany, [illegible] our part, to say that most convenient place for term[illegible] [illegible] leration, to be at Fao or Bussorah. It must [illegible] it might have been found necessary by us, in connection with requirements of oil trade or railway from Mohammerah to Julfa, to dredge the bar [illegible] Baghdad Railway reaches Persian Gulf.

"It is clear, moreover, that transference of large customs dues and transit duty now rendered by Turks at Bussorah to Sheikh of Koweit's pocket will not be agreed to [illegible] ment to get bulk of customs [illegible] fair division will thus be necessary if Koweit, not Bussorah, is to be [illegible] ts. Selection of terminus, it would seem, will be consideration which will mainly influence selection.

"I consider that opening of railway negotiations, if not long deferred, may be awaited before Koweit question is settl[illegible]

Change of policy is involved by proposal of His Majesty's Government, and it is earnestly recommended that nothing in our position should be surrendered until (1) predominant control, say 60 per cent. of capital and control as minimum, is secured by us in section of railway from Baghdad to Koweit, (2) absolute control of harbour and port of Koweit, by land and sea, is shared by us with sheikh.

As a corollary, it is further urged that, before negotiations as to suzerainty are [illegible] specific assurance that Koweit shall be terminus [illegible] Resident's views have my general support, provided these essential conditions can be secured. Preferably no question of payment of tribute should be raised; all that is required would seem to be an arrangement under which customs receipts at Koweit are divided between Turks and sheikh, to compensate the former for losses of revenue [illegible] Bussorah. It is also assumed that our own agreements with sheikh will not be invalidated by recognition of Turkish suzerainty.

7212] No. 128.

Sir G. Barclay to Sir Edward Grey.—(Received February 27.)

(No. 68.)
(Telegraphic.) P. *Teheran, February 27, 1911.*

RAILWAYS. Reference to your telegram No. 54, dated the 21st February.

Of the proposed railways in Southern Persia, British trade would, I think, benefit [illegible] most by the Mohammerah Khoremabad line. Developments in Bagdad Railway and in Russian railway construction in the north would, of course determine the degree of its usefulness.

A direct route would be provided to the district, of which the distributing centre is Hamadan, from where 40 per cent. of British imports into Persia are distributed. This current of British trade now passes via Bagdad, and if the [illegible] it would appear essential, in view of the scheme to link up the Bagdad Railway with Hamadan that the Mohammerah line should be constructed, unless we can be sure that the control of the Persian Gulf section of the Bagdad Railway shall be in British hands, and that we can prevent British sea-borne trade via Bagdad being penalised out of the market.

The Mohammerah line would lose much of its importance for our tra[illegible] be sure on this point, it would nevertheless, I believe, still afford the [illegible] of access for British merchandise to the [illegible] Hamadan. Also it would not seem desir[illegible] the map [illegible] railway system in the north will [illegible] allowing British goods fair play, the profit from of the line would, of [illegible] a greater increase. This prospect is, however, unlikely as such a link would be very disadvantageous to Russian interests, but even so, with the Mohammerah Khoremabad line we should be better placed to defend our trade against Russian numerical division should Russia begin to construct southwards from Julfa.

If His Majesty's Government decide for any reason to postpone for the present the prosecution of this scheme, Colonel [illegible] that we should have recourse to a line from Ahwaz or Mohammerah t[illegible] der Abbas via Khor Musa, pressure being linked up by a branch.

Bunder Abbas Kerman line is, of course, not so urgent, as it would be in our zone. Please refer to my despatch No. 272 of the 19th December. I am informed by M. Preece that the word "tramway" was only employed to avoid using the word "railway." He hopes that under a new Cabinet his scheme may be adopted.

7629

Government of India to the Earl of Crewe.—(Received at Foreign Office, March 1.)

(Telegraphic.) P. *February 23, 1911.*

[illegible] telegram dated the 16th instant [illegible] in connection with trans-Persian railway, a detailed [illegible] ram, in which all four lines referred to in your above-[illegible] gram have been discussed. A line from Mohammerah to Khoremabad would have to compete with trans-Persian railway and with the line from Bagdad to Khanikin, and consequently would, in our opinion, be useless for practical purposes. Now that trans-Persian railway is to be counterpoise to Bagdad Railway, line from Julfa to Mohammerah, which would have been useful as a counterpoise to that railway, has quite lost its value. In these circumstances concession for Mohammerah Khoremabad line should be obtained merely for earmarking purposes, as against any attempt at a connection by this route of Bagdad Railway extension with the Persian Gulf. At the same time despatch of Wilson to survey Dizful Burujird section up to Russian sphere would probably be a good move politically. We share view of resident, Persian Gulf, that prior consultation with Persian Government is unnecessary. Wilson asks for services of soldier surveyor, which we would give him.

Lines (1) between Mohammerah and Bunder Abbas, via Khor Musa, Behbehan, and Shiraz, and (2) between Kerman and Bunder Abbas, have our strong support, but one via Kirgoe from Bushire to join line (1) is deprecated by us. Cost of such a line would be very great, and both as a bar to German enterprise and as a commercial

project it would be quite unnecessary, since all trade would be attracted to Bunder Abbas by Bunder Abbas–Shiraz–Mohammerah line, and importance of Bushire as a port would be entirely destroyed. As regards financial responsibility on account of railway guarantee, we are prepared to discuss proposals for sharing liability with Imperial revenue.

7646] No. 130.

Lord Crewe to Sir Edward Grey.—(Received March 1.)

80, *Portland Place, London, February* [illegible]

[illegible] to be your once more, but it is time it becomes a business [illegible] without the consent and approval of the Foreign Office [illegible] decision of a railway commenced by Russia in Persian territory, but abandoned at the instance of the British Government. Now, [illegible] ately, they are free to go on with it and are anxious to do so. Perhaps you [illegible] ber that when I wrote to you last I was sending my representative, Mr. W[illegible] to examine the forest in Manchuria. It turned out to be better than was represented, and we have bought it. On his return journey he made friends with a highly placed [illegible] He has recently received a telegram [illegible] from with responsible people. After consultation with financiers in London and Paris, I find that it will be easy to arrange [illegible] r the construction of the railway (for which no enormous sum is required) upon [illegible] have laid down. If the Foreign Office sees no objection, [illegible] to St. Petersburgh and will try to obtain those terms. If he cannot obtain them the business will be dropped; if he can, the railway will be made. The Russian official informed him that the Deutsche Bank were trying to get the [illegible] on, but that the Russians preferred to give it to an English syndicate, if [illegible] ory terms could be arranged. If either Germans or English are to make this [illegible], I should think it would be advisable to exclude German influence from that [illegible] but that is a political question upon which I am not [illegible] of English policy in that part of the East [illegible] with which we are only a[illegible] will a[illegible] be best for Engl[illegible]

CRUMCHURPE

Enclosure 1 in No. 130.

Note respecting Julfa-Tabreez Railway.

[illegible]

[illegible] ME. fifteen years ago the Russian Government wanted to build a railroad of [illegible] across the frontier almost until Teheran. [illegible] ish Government then opposed most decidedly against this plan, and [illegible] y built a main road until Tabreez, and Russia entered an understanding [illegible] and, according to which Russia undertook that it would not put rails upon the road before the 31st March, 1910.

[illegible] anyhow has been built in such a way that 118 versts of the road, the [illegible] of which is 140 versts, are built in a way as to carry immediately [illegible]

This road has been built by a company on shares, the shares of which really are in possession of the Russian Ministry of Finance.

His Excellence P., real states counsel, is the chairman of this company, and [illegible] course he also belongs simultaneously to the staff of the Finance Ministry.

His Excellence P. got in the beginning of January (Russian style) from the Minister of Finance the authorisation to treat for the financation of this railroad.

This railroad not being on Russian territory, and being bound after ninety [illegible] ears to fall back to the Persian Government, the Russian Government can guarantee nothing on this railroad, and cannot ask money from the Duma for it, and in general, for political reasons, prefer to make it a seemingly private concern.

However, the Russian Government is prepared to throw in its stock, valuated at about 4,000,000 roubles, which consists in shares of the company equalling the cost price of the roads, &c., already built, as a kind of guarantee for the debentures to be issued. The Persian Shah has to get a half of the remainder of the profits after the shares have got 15 per cent. dividend.

The application for the concession, according to my knowledge, has been made once by departure from St. Petersburg.

(Inclosure 2 in No. 130.)

Short information about the Baghdad Railway on the Mesopotamian Road of Tehran.

LENGTH of the road 130 versts, of which ready to put the rails and sleepers on 118 versts, whereas 22 versts to be built.

According to the statistical information concerning the cargo movement between Russia and Persia across the transcaucasian frontier on hand the movement to and from for the line to be constructed and for 1910 is contemplated with about 6,000,000

Gross Income

[illegible] for cargo traffic, at rates from 1/6½ per verst and pood, "petite vitesse"—

[illegible]

Total

[illegible]

(1) Independent of the traffic

[illegible]

We promise to issue 4½ per cent. debentures for the ninety five years con[illegible] at 80 per cent., the issue to be made at once for the whole amount. Time [illegible] construction, two years.

Under such conditions there will be loss on the issue reserve for two years interest [illegible] for a total of 21 17618 per cent. of the capital.

Therefore the nominal capital, not including the promotion expenses, shall have to be 11,800,000 roubles.

The interest on these debentures will be about 540,000 per a[illegible]

Consequently, roughly spoken the result would be—

	Roubles.
Gross income	1,425,000
Expenses on exploitation ..	[illegible]
Interest on debentures	[illegible]

St. Petersburgh, January 1911.

London, February 23, 1911.

7662 No. 131

Lowther to Sir Edward Grey.—(Received March 1.)

(Telegraphic.) P. *Constantinople, March* 1, 1911.

I HAVE just received the written proposals of the Turkish Minister for Foreign Affairs respecting the Bagdad Railway, and am forwarding them by to-day's bag. They do not differ materially from the communication which, as reported in my [illegible] No. 100 of the 14th February last, Rifaat Pasha made to me verbally. I [illegible] I would forward the memorand[illegible]

The proposals of the Porte are to form a new joint-stock company, with capital furnished by British, French, and German capitalists, and by the Ottoman Government, the latter providing 40 per cent., the others 20 per cent. each.

[illegible] for cost of construction to be made by State bonds to be issued in Constantinople, Paris, Berlin, and London.

As the political status of Koweit, which is mentioned as the most suitable terminus, presents certain "particularities," and as the Ottoman Government must have the [illegible] under their direct administration, it will be necessary to regularise the [illegible]

The memorandum also calls attention to the utility of reaching an understanding regarding the respective rights in the Persian Gulf of the two Powers.

7662

Sir Edward Grey to Sir G. Lowther.

No. 56.)

(Telegraphic.) P. *Foreign Office, March* 2, 1911.

BAGDAD Railway.

It is essential that we should have precise information as to whether the Turkish proposals as communicated in your telegram No. 52 ~~of the 3rd March~~ have been made with the approval and cognisance of the [illegible]

Please make necessary enquiries of Turkish Gover[illegible]

7880

India Office to Foreign Office.—(Received March 3.)

India Office, March 3, 1911.

WITH reference to your letter of the 28th January regarding the status of Koweit, I am directed by the Secretary of State for India to forward, for the [illegible] Secretary of State for F[illegible] with the Government of India.*

I am to say that the Earl of Crewe concurs in the opinions expressed by [illegible] Colonel Cox and the Government of India. The necessary conditions [illegible] lent to any concession on the part of His Majesty's Government with regard to the status of Koweit appear to him to be—

1. [illegible] for His Majesty's Government of predominant control in the Bagdad Koweit section of the Bagdad Railway, for which purpose he considers 55 per cent. of capital and control inadequate.

2. A binding assurance that Koweit will be the terminus.

3. The absolute control, jointly with the sheikh, of the harbour and port, both [illegible] and adjacent.

4. A satisfactory agreement between the sheikh and the Turkish Government as to the division of customs and transit duties. In return for this, His Majesty's Government might admit, and advise the sheikh to admit, Turkish suzerainty over Koweit to the full extent compatible with:

(a.) The complete autonomy of Koweit in respect of its internal administration, to be guaranteed by a firman to the sheikh, and confirmed by a written undertaking to His Majesty's Government, as proposed by Colonel Cox.

* Viscount Morley to Government of India, February 16 (Telegraphic); Government of India to Viscount Morley, February 23 (Telegraphic).

( ) The maintenance of our agreements with the sheikh.

( ) The recognition by Turkey of Um Kasr, Bubiyan, and Warba as part of Koweit territory under Turkish suzerainty, and the withdrawal of Turkish guards and symbols of authority therefrom.

A reasonable settlement of all property disputes, the sheikh taking [illegible] papers for his son, should also be included [illegible] be understood that, if the question of tribute is not [illegible] the division of customs duties, &c., in a liberal spirit.

Whether the Turkish Government will be prepared to negotiate on this basis will presumably depend largely upon the value which they attach to considerations mainly of a sentimental order. On the other hand, the concession which His Majesty's Government are prepared to make, in facilitating the use of Koweit as a terminus for the Baghdad Railway, is of a very substantial nature, and in considering what we may reasonably expect to receive in return it must be borne in mind that the position which His Majesty's Government have built up for themselves at Koweit, and fortified by formal agreements with the sheikh, is—together with the similar position which they hold at Mohammerah—the one solid asset that they possess in these regions, and that they have been at pains to acquire it precisely for some such purpose as that to which it is [illegible] to put it, while, quite apart from all question of competent [illegible] for them (as Mr Marling has pointed [illegible] despatch No. 14 of the 4th January last) to abandon [illegible] such a loss of prestige as would be disastrous to their general policy and interests in the Persian Gulf.

For these reasons Lord Crewe would regard the conditions recapitulated above as essential to a satisfactory settlement. It is clear that in any negotiations that may be [illegible] great care must be taken to avoid making any admissions with regard to the status of Koweit that may be used to our detriment should the whole negotiations prove abortive, or should some place other than Koweit eventually be adopted as the [illegible]

In conclusion, I am to express the hope that any opportunity that offers may be taken to dispose of the other outstanding questions referred to in my letter of the 30th December, 1910 (annexed).

I am, &c.
R. RITCHIE.

(8029) No. 134.

Sir G. Lowther to Sir Edward Grey.—(Received March 5.)

(No. 56.)
(Telegraphic.) P. *Constantinople, March* [illegible]

BAGHDAD RAILWAY.

[illegible] inquiry contained in your telegram No. 36 of the 3rd instant, I [illegible] Foreign Affairs that the German Government is generally cognisant of the conditions proposed, and that the German Ambassador has intimated that his Government could not agree to any foreign group having a larger share in the Baghdad Persian Gulf section than the Germans. The actual document [illegible] the Turkish proposals has, however, not been shown to his Excellency.

(8104) No. 135.

Sir G. Lowther to Sir Edward Grey.—(Received March 6.)

(No. 131.)
Sir, *Constantinople, February 28, 1911.*

WITH reference to my telegram No. 36 of the 12th instant, I have the honour to [illegible] the subject of the funds available for kilometric guarantees for the extension of the Baghdad Railway. This useful statement shows clearly that Turkey has an ample margin for the Halif Baghdad section.

I [illegible]
ARTHUR LOWTHER.

Enclosure in N.

Memorandum by Commercial Attaché to British Embassy at Constantinople.

IN the accompanying statements an attempt has been made to establish as far as is possible the situation of the surpluses yielded by the revenues which have been specially set aside for the payment of kilometric guarantees, and annual charges on account of various loans, with a view of ascertaining the amount of liquid funds which [illegible] to be at the disposal of Government and which could be [illegible] extension of the Baghdad Railway from El Hif towards Baghdad [illegible] the surpluses for five years, viz., 1321 (1905–1906) to 1[illegible] [illegible] the figures having been obtained from official publications and [illegible] may be considered fairly accurate.

Statement "A" shows the surpluses yielded by the tithes revenues assigned for payment of the kilometric guarantees of the lines of the Anatolian system—Haidar Pasha–Angora and Eskishehr–Konia Railways—after the payment of these guarantees and also indicates the amounts of the charges which have to be met out of the surpluses, viz., the working expenses of the Konia–Eregli section of the Baghdad Railway, and secondly, the amounts which had to be taken, to make up the maintenance of the revenues of the tithes allotted to the payment of the annuity (£ T. 97,120) of the [illegible] Baghdad Railway-Konia–Eregli–Bulgurlu loan (1st series).

The net surpluses, after deduction of the two above-mentioned charges, of the [illegible] owing to the Anatolian system, are shown in statement "B," along [illegible] from tithes, and the revenue set apart for the payment of the [illegible] railways other than Anatolian and Baghdad, as well as the [illegible] net free of these guarantee and annuity charges—

[illegible]	[illegible]
[illegible]	237,[illegible]
Leaving an average liquid surplus of	40,[illegible]

Returns for the year 1326, which will end on the 28th (13th) March, 1911, foreshadow, however, a substantial incr[illegible]

	£ T.
[illegible] Asia [illegible]	[illegible]
[illegible] paid were	198,570
[illegible] for working expenses Konia–Eregli ..	2[illegible],120
[illegible]	[illegible]
Expected surplus	299,[illegible]
[illegible] and other revenues earmarked for other railway guarantees and annuities are expected to realise a surplus of ..	[illegible]
Less which permanent charges must be deducted ..	[illegible]
Leaving a probable surplus for 1326 of	[illegible]

4. The kilometric guarantees for the Baghdad Railway extension from the present [illegible] payment of an annuity of £ T. 420,000 for the Baghdad loans, ser[illegible] £ T. 200,000 for series 2, and £ T. 220,000 f[illegible]

According to the stipulations of the ad hoc [illegible] of the 2nd June, 1908, the Government share (75 per cent.) in the surpluses de[illegible] from the ceded revenues administered by the Public Debt has been assigned to the payment of this annuity, after a permanent charge of £ T. 124,059·30 due for the service of the 1904 loan of 4 per cent., has been met. It is clearly understood, however, that these surpluses will not be available for meeting the annuity for ser[illegible] and 3 until the complete extinction of the three short loans contracted with the Imperial Ottoman Bank (two in 1906 and one in 1907), the advances obtained from the Deutsche Bank in January and March 1908, and a short loan from the Anatolian Railw[illegible]

Company in March 1908, all of which are a charge on the surpluses of the ceded revenues (Government share).

Provision has also been made, in the case of these surpluses falling short at any time of the required amount of £ T. 420,000, and it is stipulated that any insufficiency in one year is to be made good from the first proceeds of the sheep tax of the following year collected in the provinces of Konia, Adana, and Aleppo, with the proviso that the tax collected in the Aleppo district can only be utilised after the payment of £ T. [illegible] due annually for Russian war indemnity.

The gross surpluses of the ceded revenues and the [illegible] share (75 per cent.) are shown in detail for five years in statement "C." It will be [illegible] been a fair increase, that the amount of the Government share in [illegible] was £ T. 529,448, but that the average for the five years is [illegible] for 1326 (1910–1911) is expected to be not less than £ T. 600,000. To the annual surplus after 1326 (1910–1911) will be added the Government share of the interest on the reserve fund of £ T. 2,000,000 of the Public Debt, which will amount to about £ T. [illegible]

[illegible] already stated, certain charges have to be paid out of these surpluses, and those which are to be met by the surplus for the year 1326 (1910–1911) are the following:

[illegible] expected of the remaining [illegible]	[illegible]
Less charges	
Annuity for the 4 per cent. loan of 1904	[illegible]
Less [illegible] a probable balance of ..	[illegible]
Expected surplus for 1326 ..	[illegible]

The permanent charges to be paid out of ceded revenue surpluses after the year 1326 (1910–1911) are:

Annuity for the 4 per cent. loan of 1904	[illegible]
Annuity for the Bagdad Railway, Series 2 and 3 ..	[illegible]
Total	344,0[illegible]

[illegible] all amount of £ T. 420,000 will, however, not be required until the railway [illegible] at Halif.

Assuming that the probable amounts to be realised from the year 1327 will be equal to the expected surplus of 1326, viz., £ T. 600,000, the Gover[illegible] then have a balance in hand, after deduction of the permanent charges,

	£ T.
Of some	[illegible]
Plus the share of interest on reserve fund	8[illegible],50[illegible]
Total	114,50[illegible]

5. To sum up the situation:—

On the basis of the five years' average of general surpluses, viz., from tithes and other revenues assigned to Anatolian and other railways (except Bagdad) and services of loans, as well as those from ceded revenues set aside for the Bagdad Railway, series 2 and 3, the figures will be as follows:—

[illegible] from tithes (see table A [illegible]	[illegible]
[illegible]	[illegible]
[illegible] plus from ceded revenues (Government share)	[illegible]
Part interest on reserve fund of Public Debt	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Surpluses at the disposal of Government	334,434

(b.) The situation worked out on the basis of the returns for 1325 and those expected for 1326 would be:—

			Expected
			£ T.
Surplus from tithes and other revenues	..	834,769	1,1[illegible],000
Surplus from ceded revenues ..	..	529,488	600,000
Share of interest on reserve fund ..	..	[illegible]	[illegible]
[illegible] charges to be deducted		[illegible]	[illegible]
Surplus at disposal		[illegible]	[illegible]

(c.) Should the calculations, however, be strictly confined to the surpluses of revenues earmarked for the Anatolian and Bagdad Railways, the figures, based on the returns for 1325 (1909–1910) and 1326 (1910–1911) (probable), would be respectively as follows:—

			£ T.
Surplus of tithes	..	191,742	2[illegible]
Surplus from ceded revenues	..	529,488	600,000
Share of interest on reserve fund		[illegible]	[illegible]
[illegible]			
[illegible] charges:			
Annuity for [illegible]		[illegible]	[illegible]
Annuity for Series 2 and 3		[illegible]	[illegible]
At disposal of Government ..	..	215,621	[illegible]

The amount which may be due on account of working expenses of the Eregli-Halif section, say 3,000 fr. per kilom., viz., £ T. 110,000 for the 840 kilom., has not been taken into account in the above calculations, and this sum will consequently have [illegible] taken from each of the balances.

[illegible] Estimating that the length of line to be constructed from Halif onwards to Bagdad to be about 600 kilom.,

The sum required to meet the annuity for this section would be [illegible]	[illegible]
[illegible] g expenses at 3,000 fr. per kilometre	[illegible]

The estimated surpluses derived from tithes and revenues set a[illegible] guarantees and annuities for loans for the year 1325, and those exp[illegible] £ T. 581,638 for 1325, and £ T. 967,041 for 1326, may serve as a [illegible] the probable surpluses of the future, and it is therefore evident the Government will have an ample margin in hand for providing the annuity necessary for the Halif-Bagdad section without engaging any further revenues.

Should the Government, however, decide that the annuity of £ T. 300,000 and the working expenses of £ T. 80,000 be only paid out of surpluses of revenues specially set aside for the service of the Anatolian and Bagdad Railways, the sums at the disposal of [illegible] (c) in the previous paragraph, be inadequate, and it is in that case quite conceivable that the Bagdad Railway administration might insist on the guarantee already given of the [illegible] Bagdad section, in order that any insufficiencies of tithe and ceded revenue surpluses for payment of the annuity might be fully covered. The total proceeds of the sheep tax of the three districts is close upon £ T. 300,000, from which £ T. 40,000 has to be deducted for Russian war indemnity account.

Statement "A."

STATEMENT showing details of Surpluses for five years, viz., [illegible] to [illegible] (1909–10), yielded by the Tithes set aside for the Payment of Kilometric Guarantees of the Haidar Pasha–Angora and Eskishehr–Konia Lines of the Anatolian Railway

Year	1 Gross Surplus after payment of Kilometric [illegible]	2 Working Expenses of Bagdad Railway Konia–Bozgl. Section, paid from [illegible]	3 [illegible]	4 [illegible]	5 Net [illegible] after [illegible]
	£ T	£ T	£ T	£	£
1321	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The tithes set aside in 1328 (1910–11) were of [illegible] £ T [illegible]
The guarantees paid in 1326 were—
[illegible] Konia .. [illegible]

Working expenses of the Bagdad Railway [illegible] paid out of this surplus [illegible]

Statement "B."

STATEMENT of Surpluses yielded by Tithes (including Anatolia) and other Revenues set aside for the Payment of Kilometric Guarantees and Service of Loans.

	Net Surplus of Tithes	Net Surplus of Tithes and other Revenues assigned to other Railways and services of Loans	Total of Net Surpluses of Columns 1 and 2
	£	£	£ T
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	129,231	543,48[illegible]	[illegible]
[illegible]	80,704	580,266	[illegible]
[illegible]	131,182	834,[illegible]	[illegible]
		Total ..	3,448,942

Average for five years, £ T 698,388. Expected surplus for 1326 £ T 1,150,000.

Permanent charges on these surpluses are the following —	£ T
Current account with the Imperial Ottoman Bank (Statutory) ..	108,000
Taken by the Ottoman Public Debt in lieu of the Roumelian Tribute ..	114,000
Part of the annuity of the 1908 loan of 4 per cent.	40,000
Annual expenditure for irrigation works in Konia plain	25,000
Military transport	10,000
Total ..	297,000

Statement "C."

SURPLUSES from old "Ceded" Revenues belonging to the Public Debt for the Years [illegible]1 to 1325 (1905–1906 to 1909–1910).

	[illegible]	Government share of [illegible] per cent.
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Average for the five years	3[illegible],140	418,60[illegible]
Expected surplus for 1326 (1910–11) ..	600,000	600,000

[illegible] rest on the reserve fund of the Public Debt of £ T [illegible] provided according to article 8 of the annex to the Decree of Moharrem, will, after the year [illegible] be added to the general revenues of the Public Debt, and will thus increase the surpluses by about £ T. 78,000 per annum. Of this sum the Government will receive 75 per cent., or £ T 58,500.

February 19, 1911

8109] No. 136

Sir G. Lowther to Sir Edward Grey.—(Received March 6.)

(No. 139. Confidential.)

Sir, *Pera, March* 1, 1911

KIEAAT PASHA handed to me today the enclosed memorandum, which he had [illegible]

I told his Excellency that I abstained from making any comment on the proposals, and that I would forward the memorandum to you by the messenger who is leaving [illegible]

[illegible] issue of the negotiations with the [illegible] I [illegible] that the Ottoman Government [illegible] prompt settlement. Referring to the advantages [illegible] I that, strictly speaking, there were no conditions. [illegible] that was anticipated would constitute a sufficient advantage.

I have, &c.

HARD LOWTHER

Enclosure in No. 136.

Memorandum communicated to Sir G. Lowther by Rifaat Pasha.

L'INTÉRÊT qui s'attache à l'achèvement du Chemin de Fer de Bagdad–Golfe Persique, la nécessité latente d'assurer l'application de la majoration douanière de 4 pour cent amènent le Gouvernement Impérial à envisager, pratiquement, l'examen de ces deux affaires avec le Gouvernement de Sa Majesté britannique, en tant que lesdites affaires intéressent, sous certains de leurs aspects, le Gouvernement Royal.

Le Gouvernement du Roi a posé une condition à son assentiment à la majoration projetée, savoir, que le supplément de recettes qu'elle produirait, ne fût pas affecté aux [illegible] les kilométriques du Chemin de Fer de Bagdad. Si donc le Gouvernement Impérial ottoman amenait la compagnie dudit chemin de fer à ne pas élever de prétentions sur ce [illegible] la question.

D'autre part, à raison des inconvénients qui empêchent la Compagnie du Chemin de Fer de Bagdad de construire et d'exploiter dans les mêmes conditions que le reste de son réseau, le tronçon Bagdad–Golfe Persique, qui est compris dans sa concession et dont la construction est, d'ailleurs, absolument nécessaire pour assurer à cette voie ferrée son débouché naturel, il s'agirait d'obtenir que la compagnie renonçât au droit qui lui fut concédé de construire et d'exploiter également le tronçon Bagdad–Golfe Persique. Tel est l'autre aspect de la question.

Or, le Gouvernement ottoman a déjà engagé, au sujet de ces deux points, des pourparlers avec la Compagnie de Bagdad; et [illegible] ent aux recettes appelées à se [illegible] r cent, mais aussi à toutes autres [illegible] recettes qui y [illegible] Dette publique ottomane. La Sublime Porte est d'autant plus fondée à compter [illegible] renonciation, que des calculs de statistique établissent la progression [illegible] des revenus dont la Compagnie de Bagdad dispose actuellement et que, partant, lui assurent, dans un avenir prochain, des ressources suffisantes pour l'achèvement de la voie jusqu'à Bagdad, sans qu'il faille lui affecter de recettes [illegible] Il apers[illegible] utile et expédient de recourir, pour [illegible] ottomane dont le capital serait fourni tant par le Gouve[illegible] à lui-même que par des groupes de capitalistes anglais, français et [illegible] Ce capital est à départager de la façon suivante: 40 pour cent pour [illegible] Gouvernement Impérial, 20 pour cent à chacun des groupes de capitalistes étrangers.

Les frais de construction pourront, d'après le système actuel de la ligne Konia-Bagdad, être couverts par une [illegible] Gouvernement Impérial et émises à Londre[illegible] frais de construction, ainsi que le capital actions de la société nouvelle et toute autre modalité de formation de la société et de l'émission, seront naturellement réglées après entente entre le Gouvernement Impérial et les groupes intéressés.

[illegible] que point terminus de la voie ferrée, sur le Golfe Persique, on ne saurait [illegible] envisager que Koweit d'abord, Bassora ensuite. Le Gouvernement [illegible] pense que Koweit est, par sa situation, tout indiqué pour servir de débouché au [illegible] le fer. Comme cependant la situation politique de Koweit présente certaines particularités, et que d'autre part, il importe logiquement, que le point terminus du Chemin de Fer de Bagdad soit sous l'administration directe du Gouvernement otto[illegible] il serait désirable de régulariser, en premier lieu, les rapports de Koweit vis-à-vis de l'Empire, ce qui pourra rendre possible l'exploitation du port à créer dans cette localité par la société anonyme nouvelle.

Par la même occasion, apparaît l'utilité essentielle d'une entente entre le [illegible] et le Gouvernement de Sa Majesté britannique, à l'effet de [illegible] n du Golfe Persique, respectivement par rapport aux droits politiques [illegible] aux des deux pays, en établissant, sans équivoque, la position de [illegible]

[illegible] ete que les intérêts de la Grande Bretagne s'opposent à la pénétration de [illegible] terres influences étrangères dans le Golfe Persique, il est non moins certain que, sur ce [illegible] les intérêts essentiels du Gouvernement ottoman se rencontrent avec ceux du [illegible] yaume-Uni, l'Empire ottoman n'étant, lui-même, nullement disposé à encourager ces [illegible]

De sorte qu'une parité d'intérêts entre le Gouvernement ottoman et le Gouvernement britannique, jointe à leur égal désir d'arriver à une entente sur tous les points qui ont pu [illegible] livrer leurs vues, montre les convenances qui lui à [illegible] dans un même esprit d'amitié et de conciliation, le règlement définitif des questions ci-dessus [illegible]

8185.

Sir V. Corbett to Sir Edward Grey.—Received March 6.)

(No. 17.)

Sir, *Munich, March 2, 1911*

THE question of the Bagdad Railway continues in no slight degree to occupy public attention here. Statements made on the subject in Parliament and in [illegible] that appear in the British press are closely followed by the G[illegible] lose no opportunity of insisting that the question is on [illegible] and Germany and only very indirectly Great Britain.

The "Frankfurter Zeitung" of to-day's date treats the matter at some length and with more than the usual frankness. After contrasting the attitude of the British and [illegible] man press very [illegible] on to observe that [illegible] journalists ha[illegible] subject which is so desirable. "England's intention in India," says the writer, "her supremacy in the waters of the Persian Gulf, and her alleged protectorate over the Turkish town of Koweit are made the ground for claims which have direct reference to indisputably Turkish territory, and [illegible] most important point of all, the English Government is to be forced to claim for England the control over the so-called last section of the railway, that is to say, over a distance of some 600 kilom. from Bagdad southwards to the Persian Gulf. The granting of this claim is to be the *sine qua non* for reasonable and friendly relations with Turkey and Germany. Some particularly truculent journalists even talk about an insurance in this sense or a danger to the [illegible] the world.

[illegible] e question of the railway might be treated with far better hope of a [illegible] factory solution for England if our neighbours on the other side of the channel [illegible] got rid of a habit which is clearly deeply ingrain[illegible] [illegible] hims and rights. It seems to be an indisputable fact that England does claim an [illegible] al protectorate over Koweit, and similarly the so-called control over the final section of the railway. This, however, is not the question; the point simply is, what rights England has over the terminus and final section of the future line. The wiser [illegible] at all for such a right and no one can take [illegible] lent journals. No one will wish to prevent England from assuring her dominion in India, but to make the securing of the [illegible] in India an excuse for establishing English rights over ports and railways in [illegible] Mesopotamia is as absurd as it would be to claim a suzerainty over Southern Italy. Koweit is just about as far fr[illegible] as from Naples. In the [illegible] Turks are notoriously of a different opinion from the English, and we have no reason to believe that their conception is the less well grounded of the two. But whether the solution of the question ultimately gives England a partial or a complete protectorate over Koweit, her claims concerning the southern section of the line are not in the least advanced thereby. To argue from a protectorate over Koweit to a control of the railways in South Mesopotamia is like claiming control over the whole Spanish railway [illegible] the strength of the possession of Gibraltar. It is certain, however, that [illegible] in England on this point is now following a more reasonable line, and this is [illegible] The 'Statist' has recently shown with the utmost clearness that Turkey [illegible] a railways on her own territory, with power to build such railways as she [illegible] d to treat with those companies which she has chosen for this purpose. The [illegible] lish newspapers could calm themselves more easily with the thi[illegible] officially expressed her wish to come to an amicable understanding [illegible] h Government on the question of Koweit and the other subjec[illegible] [illegible] rate th[illegible] Bagdad Railway at present are [illegible] nt and the Bagdad Railway Company, which is under German management. In this reference we have already repeatedly pointed out—lastly on the 16th February—that any negotiations of either party with a third must proceed on the basis of a mutual agreement to take this action. Without this the Turkish and English Governments and the German and English financiers are neither able nor willing to begin pos[illegible] negotiations. Those impatient individuals who see the Germans already at the doors of Koweit and desire to drive the Foreign Office to take vigorous measures in order to prevent so terrible an eventuality would do well to satisfy themselves that Turkey and the interested parties in Germany have the next say in the matter. That it is so these

same inspirers of public opinion in England have themselves to thank, seem [illegible] was they who at the crucial moment succeeded in preventing England's co-operation in the undertaking. We have sufficient trust in the sound business sense of the Englishmen to believe that it will eventually win the victory over the extravagant political chauvinism which has hitherto impaired British action in this matter. With [illegible] Englishmen it is possible to discuss business, though not politics. If Englishmen would only treat the Bagdad Railway problem from the point of view of their own practical interests they would doubtless find that the Turks and Germans would meet them in a reasonable spirit.

I have, &c.
VINCENT CORBETT.

8296 No. 138

Sir G. Barclay to Sir Edward Grey.—(Received March 6.)

(Telegraphic.) P. *Tehran, March 6, 1911.*

RAILWAYS. Reference to my telegrams Nos. 68 and 71, dated the [illegible] February and the 3rd March respectively.

I venture to submit that before His Majesty's Government broach the subject of railways in Southern Persia to Persian Government, it might be worth our while to [illegible] at some British house that they should apply for the concession which is most important to us.

Vekil ul Roya, whom the bank manager has sounded several times on the subject of a railway concession, appeared to favour the idea.

Imperial Bank of Persia might possibly be induced to apply for the concession we desire, and transfer it to third parties if obtained.

Bank manager's suggestion that he should try to obtain a concession has already been approved by head office, but the only proposal that has been mooted was a railway right up to Tehran viâ Hamadan from the Karun valley. In the light of some intentions from St. Petersburgh which have made it clear that Russian financial co-operation for the line Khanikin Teheran viâ Hamadan, might be worthy of consider[illegible]

8442. No. 1.

The Earl of Crewe to Government of India.—(Received at the Foreign Office, March 7.)

(Telegraphic.) P. *India Office, March 3, 1911.*

RAILWAYS in Persia. See your telegram dated the 23rd February.

Your letter is awaited. Meanwhile, however, I should be glad to know whether you have considered situation that will arise in the event of Bagdad Railway being extended to Khanikin and Trans-Persian line not being built. Line from Mohammerah to Khoremabad is proposed, as only means of saving and extending our trade in Western Persia, precisely in order to compete with extension of Bagdad Railway.

The following is secret:—

Opinion is expressed by Foreign Office that probability of our obtaining a controlling [illegible] the Gulf section of the Bagdad line is very small, but participation on our part [illegible] nevertheless be worth while.

8441. No. 140.

The Earl of Crewe to Government of India.—(Received at the Foreign Office March 7.)

(Telegraphic.) P. *India Office, March 3, 1911.*

BAGDAD Railway. See my telegram dated the 16th February, 1911.

Turkish Government's proposals are summarised below. Any observations you may wish to offer will doubtless be communicated by telegraph:—

"Formation of a new joint stock company is proposed by the Porte, the capital of which would be provided in the following proportions:—

"Forty per cent. by Ottoman Government, 20 per cent. each by German, British

French capitalists. State bonds to be issued in Berlin, London, Constantinople and Paris, to provide for the cost of construction. As terminus must be under the direct administration of the Ottoman Government, and as the political status of Kow[illegible], which is mentioned as the most suitable terminus, presents certain particularities, it is necessary to regularise Koweit's relations to the Turkish Empire. Utility of arriving at an understanding as to the two Powers' respective rights in the Persian Gulf is also brought to notice.

8468 No. 141.

Sir F. Cartwright to Sir [illegible]

(Telegraphic.) P. *Vienna, March 7, 1911.*

GERMANY and Russia.

In conversation with me to-day Count d'Aehrenthal said he gathered, from [illegible] he had received on this subject, that Russia and Germany had arrived at [illegible] as regards the main points of their negotiations, and that the fin[illegible] agreement was now about to be drafted, but there were still the details to discuss [illegible] owing to the technical difficulties of the different questions at [illegible] had been somewhat delayed.

8628 No. 1[illegible]

Government of India to the Earl of Crewe.—(Received at Foreign Office, March [illegible])

(Telegraphic.) P. *March 7, 1911.*

PLEASE refer to your telegram, dated the 3rd March, as to effect of extension to Khanikin of Bagdad Railway.

We consider that line from Mohammerah to Khoremabad becomes of primary [illegible] in the event of proposed trans-Persian line falling through. Our view as [illegible] utility of former line was expressed on the understanding that trans-Persian line would be constructed.

8629. No. 1[illegible]

Government of India to the Earl of Crewe.—(Received at Foreign Office, March 8.)

(Telegraphic.) P. *March 7, 1911.*

RAILWAY from Bagdad to Persian Gulf. Please refer to your telegram dated the 3rd instant.

It is hardly possible to take seriously the Turkish Government's proposals, which would have the absurd result of placing England in the same position as that of [illegible] sake of a 20 per cent. participation in section to Gulf, we should desert sheikh and surrender absolutely our position at Koweit. Turks would at once begin to encroach on rights of tribal chiefs and Sheikh of Mohammerah, whose confidence we should lose by pursuing such a policy.

We should inform Turkish Government that it is our intention that our position [illegible] and in Gulf shall be maintained, and that there can be no question of ceding [illegible] increase of 4 per cent., and that the additional 3 per cent. will be withdrawn in 1914 unless satisfactory conditions are made for our participation in the [illegible]tion to the Gulf.

7646. No. 144.

Sir Edward Grey to Lord Grimthorpe.

My dear Grimthorpe, *Foreign Office, March 8, 1911.*

I HAVE now had time to consider your letter of the 26th February, in which you ask my official opinion from the point of view of British interests in regard to a scheme for the construction of a railway from Julfa to Tabreez.

I have no objection to your entering into communication, as you propose, with the Russian Government with regard to the scheme, but I can give no definite opinion about it till I know the details and the views of the Russian Government as conveyed [illegible]

Yours very truly,
E. GREY.

7646 No. 147

Sir Edward Grey to Sir G. Buchanan

No. 72. Confidential.

Sir, *Foreign Office, March 8, 1911.*

I TRANSMIT to your Excellency herewith copies of correspondence with Lord Crewe relative to a scheme for the construction of a railway from Julfa to Tabreez,* and I have to request you to report to me any information w[illegible] able to obtain respect[illegible]

8659 [illegible]

I HAVE the honour to transmit to you herewith translations of two articles [illegible] the present phase of the Bagdad Railway question, which appeared in the Norddeutsche Allgemeine Zeitung" of the 5th instant.

The first article is obviously inspired, and the second is reproduced f[illegible] Frankfurter Zeitung"† by the semi-official organ, and then [illegible] to reflect the views of the Imperial Foreign Office.

I have &c.
W. E. GOSCHEN.

Enclosure in No. 146.

Extract from the "Norddeutsche Allg[illegible]

[Translation.]

FOREIGN papers continue to discuss negotiations which [illegible] going on between Turkey and England about the Bagdad Railway [illegible]

[illegible] at the legal basis on which the Bagdad q[illegible] well known, the Bagdad question, as far as the construction of the line to B[illegible] concerned, has been finally settled between Turkey and the Bagdad Railway Co[illegible] the above-mentioned discussions can only refer to the section fr[illegible] Persian Gulf. This section too will in common with the whole railway, run exclusively over Turkish territory. It is also included in the concession granted to the [illegible] company which imposes obligations on the latter *ex-si-ra* Turkey as well as on Turkey [illegible] possibility either for Turkey or for the German company to [illegible] as with third parties respecting the construction of the railway. I[illegible] party, especially England, has any wishes respecting the railway, it is their [illegible] formulate them and to communicate them to the two parties b[illegible] These wishes would then be sure of being examined in a friendly [illegible]

In another part of this paper we publish a long article of the "Frankfurter Zeitung" dealing with the same subject.

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* Nos. 130 and 141.

8109 [illegible]

[illegible] *Foreign Office, March 9, 1911.*

P. [illegible] I carefully consider the proposals of the Ottoman Government (see your [illegible] 1st March), and in due course send in our reply. But your [illegible] ce address an official note to Rifaat Pasha pointing out that [illegible] adum is in direct conflict with my telegram No. 61 of April [illegible] 22 of the same year, and gives [illegible] attitude respecting the conditions of our assent [illegible] t quite clear in writing that His Majesty's [illegible] red increase of customs for a fixed period if [illegible] in Mesopotamia were settled in such a way that British interests [illegible] at by the disturbance of the *status quo* in those regions, and if the [illegible] the borrowing powers of Egypt were removed [illegible]

8628 [illegible]

Foreign Office, March 9, 1911.

[illegible] will probably have to approach Persian Government [illegible] sion for Mohammerah Khoremabad line, opinion being agreed that it [illegible] of vital importance for the protection of British trade in western Persia. I [illegible] w's reluctance, as we are anxious to proceed in the matter with the [illegible]

8929 No. 149

Sir G. Buchanan to Sir Edward Grey.—(Received March 10.)

[illegible] *St. Petersburgh, March 10, 1911.*

[illegible] Mohammerah Khoremabad scheme. Your telegram No. 84 [illegible] that when M. Sazonow is sufficiently recovered from the illness [illegible] at present I should discuss the matter with him. It is [illegible] however that he may not be well enough for a considerable time and [illegible] at the Ministry of Foreign Affairs there is no one at present [illegible] matters to any [illegible] would point out that the branch line which is to be constructed from [illegible] way into Northern Persia will give German goods easy access to the [illegible] ld be tapped by the line now contemplated, and that, in order to [illegible] ance interests in these regions, we require this line. The [illegible] section from the Bagdad line into Northern Persia will render foreign competition inevitable, and the Russian Government ought to realise that, even the [illegible] Mohammerah Khoremabad line may be somewhat prejudicial to Russian te[illegible] it essential for us to place ourselves on equal terms with German [illegible] chaps, be possible to interest Russia in the undertaking by inviting her to build the northern section running south from Julfa, and by offering her financial assistance to do this, and so rendering it easier for her, but in that case difficulty would probably arise on the question of rates. (Please see the *aide-memoire* of August 13, 1908 communicated by the Russian Government.)

It might also be pointed out to the Russian Government that their consent to the [illegible] Mohammerah to Khoremabad would [illegible] be raised by the Government of India to the [illegible] railway across Persia [illegible]

[8930 No. 156

Sir G. Lowther to Sir Edward Grey.—(Received March 10.)

graph.) P
BAGDAD Railway

Constantinople, March 10, 1911

[illegible] on of yesterday (No. 61) respecting the communication [illegible] this subject, I would suggest that the purpose of His Maj[illegible] [illegible]ld be just as well served if this communication were made in the [illegible] e., the form taken by the commemoration with which the Pers[illegible] opened negotiations. I am afraid that an official signed note to Rifaat Pas[illegible] so misconstrued that subsequent negotiations might be prejudicially [illegible] be borne in mind that the official point of view of the Ottoman Government [illegible] Bagdad line is an Ottoman railway within the territory of the Ottoman Em[illegible]

[9042] No. [illegible]

Extract from "Parliamentary Debates" of March 8 [illegible] March 11, 1911.

Mr. Balfour. I do not think that the House has had full opportunity in the year or so of obtaining any general statement on foreign policy f[illegible] State for Foreign Affairs. I do not suppose it would be practical [illegible] desirable, to ask the right honourable gentleman (Sir Edward Grey) to survey the whole of that great and varied field, when we are in the past [illegible] ate on the Vote on Account, only when the most important heads of the a[illegible] have already been exploded on a very different subject. But there are tw[illegible] upon which I should like to say a few words and ask a few questions, and wh[illegible] respect connected. Such criticism as I shall offer upon the [illegible] based upon what I consider to be the manner in which they are m[illegible] one relation which exists between policy, diplomacy, and Imperial [illegible] those subjects relates to the Bagdad Railway. Two or three of my honourable friends have a far intimate acquaintance with the country knowing [illegible] experience as well as by study, and can give the House [illegible] my power. But there are broad lines of policy upon which I can, perhaps, initiate the [illegible] route. The Bagdad Railway had been a sort of preoccupation of Governments and [illegible] fore the right honourable gentleman held his present place, and when we [illegible] were in office, and I do not suppose that the right honourable gentleman has had an easier time than we had. But I confess that at the present [illegible] moment we cannot help looking forward with considerable [illegible] which are in process of occurring in connection with Eu[illegible] enterprise in Asia Minor and in Mesopotamia [illegible] to see if some arrangement could not be arrived at by which equal rights could be given to the great commercial nations of the world for an equal share of the sacrifices made by them. If that had been practicable I think it would h[illegible] been a good solution. It was not practicable. W[illegible] ll that was it is not worth enquiring at this stage. At a time which seems to m[illegible] not, as far back to the year 1904 perhaps [illegible] Germany and Turkey were, I understand, preparing to carry out, as they liked, stages of that railway construction which are now in process of development. W[illegible] are coming in sight—are we not—of further developments which do touch very nearly the immediate interests of this country; the commercial, political, and strateg[illegible] interests, in the way those interests not touched while the railway is m[illegible] through Asia Minor, or penetrating the defiles of the Caucasus. I want [illegible] Government what course they intend to take, especially with regard to the two possible—the two contemplated developments of the railway branch line which is to join Bagdad and Khanikin, and the continuation of the line from Bagdad southward? The first of these is more commercial than strategical. It has more to do with the interests of traders in this country, perhaps, than the immediate balance of power either in the region which it traverses or in other connected regions. From that point of view surely its importance is as great and the menace to our trade is as serious that those interested in the trade cannot afford to ignore it. We used to

[illegible]—we have still, I believe, but I have not investigated [illegible] overwhelming proportion of the trade which go[illegible] road to the frontier of Persia. That trade, I believe, is ten times as great as that of any other nation, if it is not ten times as great as all the other nations put [illegible]ther. What safeguard is that trade going to have when that branch or junction is made between Bagdad on the west and the frontier of Persia on the east? I [illegible] right honourable gentleman, in the early days of his office, was [illegible] The late Lord Percy criticised that agreement from the point of view of its effect on British commerce. He expressed his opinion that, in the partition of zones of interest in Persia, it would be found that the results were very inimical to the development of British commerce, would be inimical even to the commerce that we already possessed—let alone its development. I [illegible] that Lord Percy's prophecies have proved only too true. I say nothing against the right honourable gentleman as to the general aspect of that agreement. I welcome now, as I have always welcomed, anything which can bring us into closer and friendly relations with the Russian Empire. But the particular point of th[illegible] which has to be borne in mind by the committee at the present time is this [illegible] at while the Germans appear to have got concessions to construct that line from Bagdad to the Persian frontier, the Russians have got the concession of the line within [illegible]tier of Persia. I do not think the Rus[illegible] lies with them to make that line, because they have within their sphere of influence great railway terminus which must be in the hands of the Power which makes the railway, at all events, it gives a great advantage to the Power that protects the [illegible] The result of those forces taken together is that along the route where we have ten times the commerce of the other nations of the world, and in substitution for the existing route for which we are responsible, and which our enterprise has largely [illegible] probably does—cause considerable anxiety to the mind of [illegible] honourable gentleman, and I want to know, if I am right in my diagnosis [illegible] disease and the forecast of the danger, what remedy he and his colleagues propose for that state of things? I understand that, in answer to a question put by my honourable friend the Member for Staffordshire yesterday, the right honourable gentleman practically assured him that equality of treatment to British and other goods was secured by an article in the convention which he read to the Ho[illegible] which, I may add, I think he read to the House in a somewhat truncated shape [illegible] introducing some very relevant qualifications which occurred in the article [illegible] I think it would have been well if he had dealt with. But I leave it to [illegible] to develop that point. The point I want to develop is a different [illegible] I do not believe that these equalities of rating are necessarily of more value than [illegible] most-favoured-nation clause. Both of them have the same weakness, namely, that you can grade goods and divide commodities up in such a way that rates which appear equal and are equal on the face of them nevertheless press with quite an unequal severity upon the manufacturing interests of one of two countries. Alternative clauses on goods provide that one shall go at one rate and another at another. Then you may announce to the world that anybody who produces goods of quality (A) goes at such a rate, and anybody who produces goods of quality (B)—no matter what his [illegible] rate, and that therefore everyone is on the same level [illegible] country which produces article (A) and the other that [illegible] article (B) may find that the trade rates, formally equal, press with quite an unequal severity upon one or other of the manufacturing countries. That, I believe, has actually happened in railway rates under the control of nations who do not share the [illegible] of the Government that politics and commerce should be kept in water-tight compartments, and not allowed to mix the one with the other! There are nations who take a different view of what can be done by an active policy; in consequence their manufacturers, in certain cases, are better served than their commercial or [illegible]turing rivals. That is th[illegible] [illegible]rable gentleman. With regard to the commercial aspect [illegible] especially that part of it which is to join the Persian fi[illegible] continuation of the railway to the Persian Gulf is also a commercial subject. We [illegible] in this House mention the commercial development without remembering that, quite apart from Britain's preponderance of commercial interests in that part of the world, we have strategic interests, and interests which cannot be forgotten or ignored, connected with our prestige in India and Afghanistan, and all those adjacent countries. I am sure the right honourable gentleman does not wish to forget or ignore them. Equally

undoubtedly they are threatened—if we may judge the ordinary signs of the times [illegible] certain projects of railway construction to a large extent far into [illegible] always regarded as under our protection and into territories which are not part [illegible] Turkish Empire. I am sure the Government are prepared to give us every assurance with regard to Koweit and as to the policy of the Government. The right honourable gentleman has made declarations in this House in previous years which, so far as I am concerned, seemed to me at the time to be perfectly satisfactory, and from which I [illegible] not believe he will recede. Nevertheless, I think he will regard our anxiety on this si[illegible] of the House as not without its justification. He will feel that our interests, not merely our commercial interests, but our political, imperial, diplomatic, and national interests are being threatened by some schemers, and require the special and arduous care of the Foreign Office if they are to remain wholly unimpaired. These are the two [illegible] questions I wish to ask. How do the Government propose to deal with the [illegible] either towards Persia from Bagdad, towards Persia on the one side and towards the Gulf on the other?

The Secretary of State for Foreign Affairs (Sir Edward Grey).—The right [illegible] was somewhat late, and that he would not ask from me a general statement [illegible] policy. That is to say as I understood him to mean, that at this late [illegible] subject of foreign policy by itself was so large that I could not be expected to [illegible]. He also intimated that there were other ho[illegible] this side of the House who desired to speak [illegible] that I shall compress my remarks as shortly as I can in order that there may be as much time as possible for others who follow me. I thought it a little remarkable after the right honourable gentleman began by saying that the hour was somewhat late that [illegible] specially asked for [illegible]. I will confine myself, as far as possible, to answering him on the particular points which he raised. He dealt first of all with the Bagdad Railway [illegible] have no complaint to make whatever of his introducing that subject into the de[illegible] have any complaint to make of the tone or substance of the remarks which he made about it, but I would observe generally with regard to what he said [illegible] Bagdad Railway, that it is always possible and easy to fix on certain parts of the [illegible] which are not under our control, which are not likely to be under our control, and in which events may not be altogether moving according to our minds. That is always the case in some parts of the world, and that always offers a field for comment [illegible] observation. I have no complaint to make of the right honourable [illegible] vernment with regard to the importance of our trade interests in that [illegible] world, but where, I think, his speech stopped short was at the point where he might have shown what lever we had, what position we occupy, what powers we have by which we should be enabled to control the course of events in that part of the world. He has admitted himself that the Bagdad Railway question was one with which he had been familiar when he was in office. He said that an opportunity arose at that time of taking part in the Bagdad Railway or coming to some terms about it, an opportunity which he regretted to say had not resulted in its being found practicable to secure equal rights with regard to that railway. That happened while he was in office. When that opportunity had passed, surely it was not easy for us to create the opportunity again [illegible] to take advantage of it. I should like the right honourable gentleman to be quite clear as to this. I am not reflecting upon anything that he did while he was in office. I do not say it was an opportunity of which more could be made than his Government made of it. I only want to emphasise that fact, the Bagdad Railway concession have come into existence, I think while they were in office, they did not find it practicable [illegible] they were quite as conscious of British interests as they are now—to [illegible] British participation in the enterprise. So it was not likely, when the Bagdad [illegible] had made some further progress, that we should find it easier than they did, and [illegible] the comment of the right honourable gentleman there was nothing to show that we [illegible] been in a more favourable position than his own Government was for arrangi[illegible] terms with regard to British interests in the Bagdad Railway. On the contrary [illegible] sence, it is that the undertaking being more solidly established when [illegible] to office, it was less likely that we should be able to get as favourable terms as might have been obtained in earlier days.

[illegible] time to oppose the Bagdad Railway, if it was to be opposed in British interests, was before the concession was granted. The concession once granted was a German

[illegible] concession remains to lay as we found it when [illegible] not been extended, and it is within the [illegible] ment to carry out the [illegible] Turkish territory. Now, the right honourable [illegible] branch going to be made from Bagdad to Khanikin, [illegible] that will affect an important artery of British trade." The concession for that branch was contained in the original concession of the Bagdad Railway, and that remains [illegible] at. Now when you [illegible] beyond Turkish territory there is going to be a branch made from Khanikin to Tehran, and that is not going to be under British control." Well, whatever there has been the [illegible] Russian [illegible] t, anyone who looks at the map and sees that the branch [illegible] kin to Teheran is going to proceed not south but north into Persian territory will know that under no circumstances in recent years would it have been possible for us to [illegible] but must always be so. The north of Persia is out of our [illegible] concession for ever; there we could not have protected it; we [illegible] concession, and we could not have protected it if we had secured it [illegible] agreement was made, it has been [illegible] were to protect British commercial interests, they must [illegible] in the north of Persia. That remains unaffected by anything w[illegible] we came into office.

[illegible] right honourable gentleman says it is important British trade should [illegible] As far as it can be protected by guaranteeing equal rights for trade on [illegible] ys it will be protected but more than that we cannot do with regard to these railways. The right honourable gentleman said that those gua[illegible] might be so worked as to be to practice unfavourable to British tra[illegible] that is to make other routes of your own for British tra[illegible] which the Germans have got from th[illegible] stop them making the railway [illegible] railway in the north of Persia itself. If the guarantees you can get, and which I [illegible] k we have got, and which, indeed, we are entitled to demand, that there should [illegible]

[illegible] man did not go so far as to suggest that. He concentrated upon the weakness of [illegible] we could do. He suggested no lever that we could use and no means [illegible] the new regime in Turkey strengthened. I wish to see them [illegible] show it to be used to make railways which will take the place of means of com[illegible] until we are satisfied that British trade interests will be satisfactorily guarded. I would like the House to be quite clear on this point. The Bagdad Railway is a [illegible] Turkish territory, and as such we have no right or title to object [illegible] source of revenue to the Turkish Government, then we do come [illegible] and we have a right to demand that before we agree to those increased [illegible] Government should make it clear that the revenue is going [illegible]

[illegible] to the purposes to which we wish to see it applied, namely, the [illegible] strengthening of the Turkish Empire, and [illegible] strategical or other reasons the Turkish Government may [illegible] the interests of British [illegible] gentleman asked a further question as to Koweit [illegible] that is quite a different question to the mere question [illegible] I have been careful to emphasise that the Bagdad Railway [illegible] concession in Turkish territory, but, if the Bagdad Railway is to [illegible] than Turkish territory, then of course our diplomatic position in the [illegible] becomes very different from what it is so long as it remains purely [illegible] territory. We are not anxious to disturb the *status quo* in the Persian Gulf [illegible] great extent that *status quo* has been built up by us in previous generations [illegible] practically opened the Persian Gulf to trade and kept it open. That has [illegible] past. We are not anxious to have a forward policy in [illegible] to disturb the *status quo*, but if the *status* [illegible] by others then we must undoubtedly use our resources [illegible] maintain the position we have in the Persian Gulf. Part of the *status quo* [illegible] have entered into treaty obligations with the Sheikh of Koweit, and in any [illegible] which there may be or in any changes which may take place it is an obligation [illegible] to see our treaty obligations towards the Sheikh of Koweit in maintaining [illegible] fulfilled. That is what I would say on the two points the right [illegible] decorum has raised, and I hope, at any rate, that what I have said has [illegible] not only what the limits of our position are, not only what the limits of our action must be, but also the limits within which we think we can do something [illegible] maintain British trade interests, and to maintain what hitherto has been regarded as the *status quo* in the Persian Gulf.

Colonel Yate moved to reduce the vote by 100*l.*

The committee will permit me, perhaps, to say a few words regarding [illegible] Railway and certain of our interests in Persia. I do not intend on a [illegible] for information the giving of which would be incompatible with the public interests. But we all know that certain negotiations are going on, and we have had no information about those negotiations, as to which there need be no undue secrecy. If the Germany and Turkey know that the British public is alive to the interests involved [illegible] think it will certainly make them more careful in respect of the [illegible] British Government. We saw in the papers a day or two ago that there [illegible] British negotiations going on with Turkey with regard to the last section of the Bagdad Railway line from Bagdad down to the Gulf, and if I might say a word about that I should like to say that that section is of comparatively small interest [illegible] practically independent of that section at the present time, and a [illegible] concessions with regard to steamers by which we can send our British and Indian goods [illegible] and it is about Indian goods that I as an old Indian officer, am most largely concerned. We can send our goods by another route in that case, but the section we are absolutely [illegible] upon is that section of the Bagdad Railway running north to a place called Samarah some 20 or 30 miles further up north of Bagdad, and thence by the branch line to Khanikin. All traffic which is too heavy or too bulky for mule or camel transport must go by sea to Basrah and thence by rivers and steamers to Bagdad and along the roads to Khanikin on the Persian frontier before it can be got into [illegible] But when the Bagdad Railway is built these goods will all have to go by this way from Bagdad to Khanikin. It is on this section of the railway that all that traffic, now worth £1,000,000 or more a-year, must travel in the future. So far as British and Indian trade are concerned, therefore, it is necessary that there should be stipulations. In answer to my question yesterday the right honourable [illegible]

"I would refer the honourable member to article 24 of the 'Cahier des Charges' attached to the Bagdad Railway convention of March 1903, which stipulates that all tariffs, whether general, special, proportional, or differential shall be applicable to passengers and consignors of goods without distinction. The article further provides that all such tariffs must receive the approval of the Ottoman Government, which is intended to prevent all adverse treatment of British subjects in matters of commerce. His Majesty's Government will, of course, take steps, if they are required, to claim that the stipulation for fair treatment should be observed."—(Official report, the 7th March, 1911, columns 1007–8.)

[illegible] right honourable gentleman was asked if the article in question prevents the imposition of preferential rates, but he was not able to give a definite reply to that. Therefore, with regard to British interests in the Bagdad Railway, I think it will be acknowledged that it is not only in the section from Bagdad town down to the Gulf [illegible] our interests lie, but in the province of Bagdad to the north of the town of [illegible] which includes the branch line to Khanikin.

[illegible] other point which we must always bear in mind, and that is, that our interests in the Bagdad province are of far longer standing and far superior to those of [illegible] country. Our political resident is of longer standing and has a far superior position to the consuls-general of the other Powers. Our interest, and especially our Indian interests, comprise not only the ancient trade between India and Mesopotamia [illegible] to be considered, as well as the trade with Persia through Bagdad. Negotiations [illegible] many and Russia regarding the junction of the Persian line [illegible] Khanikin. We have not only to see that our trade is protected on the German portion of the line, but also on the Russian portion. In our arrangement with regard to Persia of August 1907, at that memorable conference then held, the two Governments of Great Britain and Russia recorded their desire for the permanent [illegible] have no information as to that, and I desire to know whether that recorded desire will really safeguard our trade with Persia. The line is said to be, and is, called an international line, but it has already met with considerable opposition in Russia itself from the merchants of Moscow and others who think their trade will be undermined, but so far as one can judge it really looks as if this line was calculated to give access to Russian goods to the markets of Southern Persia than to give access to British and Indian goods to Eastern and Northern Persia.

First of all, I understand British goods are not to be allowed to pass through in transit from Batoum, in the Black Sea, into Persia by this proposed line. Secondly, there is at present a considerable trade in British goods with Tabreez and North-East Persia by caravan from the Turkish port of Trebizond on the Black Sea, but Russia, I understand, refuses to permit the building of a railway along this route to join up with the Trans-Persian line, by which this trade might be developed. The question is, What safeguard have we that the same spirit will not be shown towards the entry of British trade into Persia by the Bagdad Khanikin route on the south-west, and on this point I trust we shall be given some reliable information. The whole future of the British and Indian trade with Persia depends largely on this point. As to the proposed junction of this Trans-Persian line with the Indian railways, the question is so much in the clouds at present that I need not pursue it further, but I would just [illegible] that the Russian and Indian railways have different gauges—Russian gauge [illegible] the Indian 5 ft. 6 in., and where is the break of gauge to be. If to the south [illegible] all the advantage will be with Russia, she will have the populous and productive parts of Persia opening up to her, while to India will be left the desert. It looks, therefore, as if the Russian promoters are seeking to make what must be regarded as a Persian State railway to subserve Russian ends, and that the so-called international question is only a catchword.

There is one other point that concerns Persia, and that is the Muscat arms traffic. I have here the Muscat Consular Report for last year, 1909–10, just published. In this it is stated that owing to the measures taken by the British and Persian Governments and the sheikhs on the littoral of the Persian Gulf to restrict the traffic the export has declined to a great extent. This has resulted in a corresponding reduction in the import to Muscat, and the total value of imports for the year was Belgium, 35,000*l.*; United Kingdom, 23,000*l.*; Germany, 21,000*l.*; France, 15,000*l.*; Roumania, 8,000*l.* Belgium heads the list, and Great Britain and Germany come next. France only sent 15,000*l.*, or under 15 per cent of the total imports, and yet I understand that at The Hague Conference, when other European Powers were willing to co-operate in putting a stop to this traffic, France was the only country to hold out, and by this dog-in-the-manger policy, despite the smallness of her interests, is thus largely the cause of the present raiding and plundering and lawlessness throughout South-Eastern Persia and the Afghan borderland. It is due to the selfish policy in this matter pursued by France that the British and Indian Governments are put to all the expense of their naval operations for the suppression of gun-running from Muscat to the Persian coast, which Persia by herself is utterly unable to prevent. Every outlaw, both in Persia and on the Afghan border, is now getting armed with modern small bore rifles of precision to the disturbance of the peace in all the country round. The Persian

Government we know are helpless, and yet this traffic in arms is just as disturbi[illegible] as it is to our own Indian borderland. Why, therefore, have we done a[illegible] assist Persia in the matter in some really practical manner. I have here [illegible] the "Times" of the 4th March, headed, "Afghans pr[illegible]

"Advices from the south show that Afghans are proceeding to the [illegible] hundred are in the neighbourhood of Ram and a much larger force is so[illegible]

"In the present temper of the tribesmen the situation gives rise to anxiety [illegible]

[illegible] Afghan raiders are invading Persia against the will of the P[illegible] ment and yet we all know that the Persian Government have not got a [illegible] whole of Southern Persia who dares to oppose the [illegible] the Persians to stop this invasion instead of waiting till these bands of [illegible] reach the coast, where our men-of-war have to deal with them at g[illegible] I remember when I was chief commissioner of Baluchistan a band of raiders invade[illegible] [illegible] and captured that fort, and killed or took prisoner every raider in it [illegible] reached on into Persia, and, acting in conjunction with the Persian governor and [illegible] troops, reduced the raiders to order, and the northern frontier has been undisturbed in that way ever since. Why has not the same precedent been followed [illegible] As the Persian local governor is powerless to act alone, why have we not [illegible] with him. If I remember right an Indian regiment was once sent to Baluch[illegible] frontier, for the very purpose of stopping these Afghan [illegible], and yet when it got to the frontier that regiment was p[illegible] the Persian frontier, and had to sit still [illegible] Afghan bands marched up with their rif[illegible]

That is neither business for Persia nor for England. If France, in the face o[illegible] treaty with Muscat of fifty years ago, refuses to permit the Sultan of M[illegible] to put any restriction on the import of arms into his own capital, a step ong[illegible]

The worst as to the hardships and sufferings of our poor seamen engaged in putting down this gun running. No one who has not been in the Persian Gulf can have the faintest idea of the terrible heat of the summer there. You might as well put 100 men into an iron oven as into an iron gunboat to serve there. There is one good vessel, the "Sphinx," a wooden ship with large port holes, which is the only vessel fitted for the service. A water vessel belonging to the Indian Marine at one time had guns put into her and was ready for the work, but owing to the Admiralty [illegible] to allow any Indian Marine ship to carry guns they had to be taken out [illegible] the guns be put back into these ships. There should be no jealousy [illegible] one is a naval ship and the other belongs to the Indian Marine. It would be much better if we could have some of our Indian boats back again—some good [illegible] wooden vessels which are quite competent to deal with Arab dhows and local [illegible] tribesmen. Let us have wooden vessels for service on the government blockade in the hot weather. I should say, given these boats and given assistance on land to the Persian Government, I see no reason whatever why we should not be able to put down this dangerous traffic. We have had more than one of our Indo-European telegraph stations and the houses of resident signallers threatened. It is a very great danger to us, and it is absolutely necessary that we should take steps in conjunction with Persia [illegible] put a stop to it at the earliest possible moment. The Persian Government a[illegible] in the matter, and it depends on us whether we are to risk the cutting of the C[illegible] Persian telegraph line and the discontinuance of all telegraphic communication with Persia between Europe and India, and if we do nothing to put a stop to this we have [illegible] but ourselves to blame. I therefore ask that this question may be taken into consideration, and any information which the right honourable gentleman can [illegible] the subject we shall be very pleased to get.

Mr. Noel Buxton.—It is very welcome indeed to me, and I think to many members [illegible] side of the House, to find on the other side so great a solicitude for the welfare [illegible] honourable member. I think we may congratulate ourselves also that the leader of the Opposition gave us a lead in venturing upon the very delicate field which is now occupied by questions affecting the

Near East. I feel myself that in venturing on this question we ought to feel a very [illegible] responsibility, and [illegible] it to make up our minds that we will set before ourselves two conditions at least—h[illegible] that we will say nothing which can possibly be taken as offensive to any friendly Power, and, secondly, that we should purify our minds of any desire for making party points in a question of foreign relations. [illegible] is the first chance for a very long time that the House has had of expressing to the [illegible] way in what way it supports this policy. An opportunity for the expression of opinion is very well [illegible] of it to some extent last year was keenly felt, and if this is one of the allotted days of Supply it is very regrettable that the time all too short, should be encroached upon to so great an extent as it is to-day. I should like to say, not at all by way of criticism but by way of assuring the Foreign Secretary that he has very active and very keen support for his avowed policy, and [illegible] seems to some of us on this side that there are respects in which that policy [illegible] carried out so fully as we should be prepared to back it and see it carried [illegible] entirely agree with the framework of that policy, but, if I may quote a cynicism with which I entirely agree of Talleyrand in another connection, it is a good idea rather [illegible] perfectly carried out in some respects—a cynicism which Talleyrand failed to establish, but which I hope I shall not fail to establish, because I speak with a great sense of responsibility in regard to one or two points in connection with the Foreign Secretary's policy. It is, I believe, an axiom that the Foreign Secretary is a trustee for the welfare of the nation and as such a trustee he cannot go to any extent beyond the [illegible] held by the people. I should like to assure him that in this policy, which is a [illegible] so we will be well entitled to go further and to act with [illegible] vigour in some particular directions.

To come at once to my illustrations. They are drawn from the field that we have been dwelling upon this evening, the Persian question, the Turkish question, and that question which is inextricably bound up with it, the German question. I wish to assure the right honourable Baronet of the feeling which is widely held on this side of the House, that the Persian question is in no sense a party question. We [illegible] the speech just delivered that there is unanimity upon the main objects [illegible] the present Government. We all have some slight information, at least, of the strai[illegible] aspects of the Persian question, and I am glad to think from that speech that in both sides of the House there is felt a very keen interest also in the ancient civilisation and in the value to the world of preserving, if possible, that civilisation, and seeing [illegible] prosper still further. There is no clash whatever to-day happily, between sentiment and interest in the question either of Persia or of Turkey. There have been [illegible] periods in the past when there was a great clash of sentiment and interest, but it is a very happy feature that to-day there is none at all. Two events have given rise to some disquietude on this side, and I daresay upon the [illegible] side of the House, namely, the ultimatum, as it was called, last year, and the long negotiations which took place in connection with the Bank of Persia and the city house of Seligmann. There is a very keen desire felt in the House [illegible] upon which the Government should proceed is a desire to see the prosperity of Persia and a desire to bear in mind the interest and the value to the country of the Persian point of view, and the necessity of considering what is first of all for the good and the probable prosperity of Persia. There are objections raised of course, to the whole idea of perpetuating the state of Persia. There is the argument that Persia cannot govern herself. I do not desire to speak on any occasion without my book. I have never been in Persia, and I of[illegible] very much struck by the fact that some close observers [illegible], who not very long ago felt [illegible] themselves at all, have within the last year, and on f[illegible] changed their minds, and are very hopeful indeed.

There is the other argument that inevitably in course of time there must be encroachment upon Persia by the Russian Empire, but I see no inconsistency at all between friendship for Persian prosperity and friendship for Russia. The interests of the world are increasingly commercial, and [illegible] increasingly military [illegible] free commercial routes which one [illegible] it possible that the interests of our friendship with Russia, as we [illegible] with Persia, are perfectly compatible. There is an index that I would suggest [illegible] the success of our policy in regard to Persia, and that is the self-respect of Per[illegible] I think there is particular need to be very cautious in conducting negotiations

with such a State as that. One needs to be very cautious lest the way in which [illegible] it should do something to injure the prestige and self-respect of the [illegible] is more capable than Sir George Barthe[illegible] This House would support a very great care for the self-respect of such a State as Turkey or Persia, and there is some danger that tendencies or prejudices, which are in some cases the peculiar property of Englishmen, may give rise to expressions which are misunderstood by such people as the Persians. I am sure the Foreign Secretary is glad that the House should cordially support the very [illegible] of a Power which she desires to see prosper[illegible]

[illegible] to Turkey it suits our book that Turkey should be [illegible] as that Persia should be prosperous. If Turkey is a civilised State we may [illegible] day as we did to the case of Japan, abandon some of the rights which we [illegible] under the stipulations, and we shall be glad as a nation to do so if and when the proper time arrives. There was a danger to the world arising from [illegible] Turkey as the "sick man." There is always a danger in every [illegible] to the state of the sick man's relations, and there was such a d[illegible] Turkey, and Turkey's recovery is a great boon to the world.

And it being a quarter past 8, and there being private business set down [illegible] direction of the chairman of Ways and Means, in her Standing Order No. 8, further [illegible] proceeding was postponed.

[illegible]

Civil Service and Revenue Departments, 1911-12.

[illegible]

Postponed proceedings on amendment (Colonel Yate) to reduce by 100*l.* the Vote on [illegible]

Question again proposed. Debate resumed.

[illegible] anxious to encroach upon [illegible] amiable members [illegible] curtailment of time which has taken place [illegible] this year in regard to opportunities for debating foreign policy which [illegible] entirely absent last year. I was endeavouring to express the very keen support [illegible] some of us feel on this side of the House of the Foreign Secretary's policy in its [illegible] essence. It is to our minds a great idea, but somewhat imperfectly carried out, owing, I think, in great measure to that very absence of public discussion which would lend to it greater force and greater facility of expression. I take an example from our policy in relation to Turkey which is entirely bound up, in my judgment, with [illegible] relations towards Germany. We have towards the subject populations of Turkey [illegible] relations resulting from our actions in the past and from our special treaty [illegible] These obligations entitle us and compel us to pay very close attention to what is the nature of the Turkish Government. Our attitude towards the Turkish [illegible] ernment, which has been so happily expressed by the Foreign Secretary today, [illegible] tions, I think, now with our duty towards the subject population, and therefore I [illegible] ernment is justified in holding towards the Turkish Government cordial [illegible] measure today. I am very glad [illegible] to this conclusion. I think during the last year or [illegible] the attitude of the Government has been rather too cold towards the Turkish [illegible] ment. I think this is not justified by the defects and mistakes w[illegible] during the past year. There was a time in the past when many of us [illegible] express the strongest disapproval of cordial relations with Tur[illegible] time when, in the words of a Turkish historian, using somewhat grim and entirely unconscious humour the Turks were accustomed to give to the Christians, as [illegible] expressed it, the treatment which they were in any case to expect at the judgment

day. Those days are happily passed, I believe, for ever [illegible] be somewhat more cordial in our [illegible] most part young politicians, who have achieved the extraordinary [illegible] Revolution. Let us give credit where credit is due, and not be loath to praise as well [illegible] This is a calculation of the psychological qualities of the Turks. We [illegible] exercise influence with them, and we want to look after our interests, which [illegible] many cases joint interests with other countries, and I think that we are entitled [illegible] express an opinion slightly critical of that too English coldness which the C[illegible] has shown towards the Turk. I will quote an opinion, not to rely upo[illegible] eminent leader of the Consular Bar in Constantinople, a man who has [illegible] honoured with the honour of a knighthood, and who has a strong opinion [illegible] the point which may interest the House. I [illegible]

There is an increasing number who believe that the Young Turks should be backed up, whilst they are also told of their blunders. My experience is, that they listen and attend when complaint is made by those in whose friendship they have [illegible]

[illegible] I am sure it is the wish of all parties in the House that they should have confidence in our friendship when it is based upon right conduct on their part. I think [illegible] extent, the Government has failed to convince them that they could [illegible] proper circumstances, earn that cordial friendship of ours. It is a very happy thi[illegible] that within the last few days the Foreign Secretary made a statement expressing his desire for the prosperity of Turkey, and a very happy comment has been made upon his expression of good will in the Turkish press. One paper expressed it, I think, in a [illegible] friendly with the conduct of other Powers, and it quoted a Turkish proverb, which runs: "The friend adu[illegible] the enemy laughs in his sleeves." The policy of coldness and of rebuff, I think, has not been a success, and if it has now been abandoned I trust the Foreign Secretary will push his cordial attitude in a vigorous way. In Turkey, I think, we should be rather more active than we have been. I am not suggesting a policy of insane philanthropic adventure of any kind at all, but I would recall the English precedent which is one of the chief features of the history of English politics in Turkey, the precedent of one of our great Ambassadors. The British Ambassador at Constantinople may very well make himself a gre[illegible] I hope that that idea will be carried out in the future. I suggest one or two sugg[illegible] of the manner in which that policy might be carried out. The honourable Member for [illegible]ndshire (Mr. Lloyd), whose knowledge and definition of views on these and other [illegible] fully entitle him to great influence upon this side of the House, shares with me, I believe, the idea that Great Britain has neglected an opportunity in Turkey in regard to the British school. Other Powers spend many times as much money as we do upon our British school. The Turks are very quick to note that we [illegible] lect our educational duties in their capital. I myself visited the school the other [illegible] with the German and the French school, it has a more handful of Turkish scholars acquiring the English education which many Turks [illegible] so very anxious to give to their sons. I suggest a sample of what might be done, and what I trust before long will be done in a larger measure. I w[illegible] the Foreign Secretary, that he is enquiring further from the [illegible] point.

There is another thing which I think we might have done. Th[illegible] ment is very forward in making facilities for Turkish students to tak[illegible] Paris of the medical and the engineering schools, and I think, considering th[illegible] of the English in Turkey, we might also do something of that kind [illegible] a immense underlying current of pro-English feeling, and considering th[illegible] British policy in favour of Turkey, it is not wonderful that there is an inevitable preference for the English. It should not be beyond the power of skill [illegible] to take great advantage of that. Everyone in the House will recognise th[illegible] will be brought to bear upon that subject by our present Ambassador, S[illegible] Lowther. I hope that his orders and instructions are in that sense. What are [illegible] instructions of the German Ambassador is very evident to anyone acquainted with him and to anyone who has closely followed the activity which he displays, and the very frequent attentions which are showered upon Turkish politicians by the German and also the Austrian Embassy. It is very fortunate that our policy in Turkey need not in any sense at all be anti-German. A great statesman said that in Asia there is room for us all. I trust it may prove to be so, because it is perfectly true that, in a legiti-

nate, commercial sense, in the Near East there is room for all the energies which a [illegible] have been not only complacent lookers on at German industry, but positively the backers and instigators of German enterprise. It will be a great disaster if, in connection with this most delicate question of the Ba[illegible] the s[illegible] degree by any sort of fear [illegible] W[illegible] [illegible] ced by blind fear [illegible] from giving way to it? I will say no more on the Baghdad Railway q[illegible] we all hope, it is the subject of negotiation, and in my judgment it [illegible] Though I share the hatred he expressed the other night of the [illegible] think we may assure the Government that they will find very cordial support if they [illegible] the way of a general settlement of the Baghdad Railway [illegible] y desire that it should be paid [illegible]

I [illegible] ga us by obvious sagacity to the relations in which this question involves [illegible] y. You cannot separate the Persian question, the Turkish question, and the German question. They are the same, and the same [illegible] to them all. I venture to think that the friendly policy laid down by the [illegible] Secretary would find even more support if discussion were invited and [illegible] ntry than it has done to the present. W[illegible]at we want to see [illegible] of sympathy, and if there is to be any sort of greater vigour [illegible] be expressed by the diplomatists who represent England in those [illegible] It is a policy which I think justifies even [illegible] implies greater activity even on the part of the F[illegible] educating public opinion. It is a policy for which I believe th[illegible] feeling on both sides of the House which would justify him in exercising [illegible] ativity. This whole field of difficulties requires, as you will obviously see, a ca[illegible] agreements which would form the basis of better relations. You cannot im[illegible] relations with Germany until matters are set straight in regard to Turkey in Persia and conversely you cannot set things straight in Turkey and Persia unless on good relations with Germany. This is the policy avowed by the Governm[illegible]

I [illegible]

[illegible]at there is talk now of bringing these long dragging negotiat[illegible] to an agreement. Everyone is delighted to think that [illegible] specific agreement come to at no very distant date, but the Foreign [illegible] have the public at his back, I venture to say, if he pushed on the negoti[illegible] an agreement, because the public hope not only for their impro[illegible] protection in regard to Anglo-German relations. The trouble which exists [illegible] regard to these questions of strained relations, which are matters of notoriety, is that [illegible] been at certain moments not only a disaster to the two countries [illegible] at that they are a disaster in other countries, and especially in Turkey [illegible] The state of irritation and the fear of conceivable conflict [illegible] countries besides th[illegible]

[illegible]tary disposition and the military section [illegible] country. It derives the main part of its force from t[illegible] there might conceivably be a great conflict, and that a conflict is frequently talked about. It is that which encourages militarism in many a country. But the business I am concerned with is rather the discouragement of it in Turkey. We are [illegible] to support the more conciliatory party in Turkey. In order that it may [illegible] hop it is necessary that t[illegible] list of factors which govern political forces in that country. It seems to me that th[illegible] is really the navy question, and I trust that agreements will be announced in the n[illegible] very distant future which will constitute what I remember not very long ago [illegible] Secretary described as a sedative to a somewhat inflamed situation [illegible] ght be brought about by an improvement of fe[illegible] [illegible]nal expenditure of all parties, and yet maintaining what I myself desire to see, what the Prime Minister has called a supremacy intact, unassailable, unchangeable, and unchallenged.

There is a general difficulty, I think, arising to some extent from the English type of mind. There are some habits of English diplomacy which in my judgment are too English. I will not at this hour encroach on your time by going into details of what I mean. It is in any case a very difficult matter to explain. But there are habits of mind of the English which to some extent interfere with what we all professedly avow

in our foreign policy—the practice of sympathetic activity towards both the weak races and towards the Great Power which is the subject of discussion along with them, that is, a school which deprecates the power of words and ideas, and therefore reduces the whole of its national valuation to a matter of mathematical calculation, which says that A is able to beat B, and C is not able or willing to come to the rescue of B, and therefore it is inevitable that there will be a conflict. But everyone knows that in fact nothing is more untrue. If it were true there would be perpetual war. That school of thought which denies the power of words and ideas is condemned by the whole trend of modern [illegible] unscientific and ignorant. At all events, that is a school to which the leader of the Opposition does not belong, and I do not think that we need despair of finding that he [illegible] the long run govern the relations of Europe. I shall be asked for practical proposals. I want to suggest that there is a case for a definite propaganda. This Government has earned very great credit by its establishment, for instance, [illegible] entertainment fund and by the international exhibition committee. These are [illegible] cordially welcome. If money is spent upon them [illegible] the end is a greater economy than the spending of that money. We have made great progress in social life. I think a corresponding progress has not been made in our national life in the positive construction of peaceful ideas which Foreign Secretaries Ministers might set themselves to carry out. This is not a sentimental idea. I think we have gone back to some extent from the level which had been reached half-a-century ago. I would like to appeal to a precedent to show that the new fact is not in the propaganda of peace, but in the decay of these propaganda. Let me give an example to illustrate the sort of view which Foreign Secretaries took fifty or sixty years ago. In 1845 Sir Robert Peel was writing M. Guizot, the great French Minister, and he [illegible]

"Our united labours for the last few years have established foundat[illegible] strong enough to bear the shock of all ordinary consultics. We have succeeded in elevating the tone and spirit of the nations; have taught them to regard something higher than paltry jealousies and hostile rivalries, and to esteem and feel fully all that moral and social influence which cordial relations between the countries give to each for very good and beneficent purposes."

[illegible] the activity [illegible] ght be given [illegible]

W[illegible] [illegible]

M[illegible]r at the Guildhall last autumn; [illegible] ed to quite the level which has been reached by the G[illegible] M[illegible] (Baron von Bethmann Hollweg), and I do think that is a thing which requires seeing to much and very urgently. If there is in Germany a feeling that there is somet[illegible] which ought to be better understood by England, though we are to some extent ourselves to blame for the misapprehension which exists, it is a misapprehension of the [illegible] by every possible means of what is the feeling of this country, and that feeling, I t[illegible] I may say, is one of cordial appreciation for all genuine progress in any legitimate way in any nation, especially that one which is perhaps, of all others, most akin to ourselves. It is the feeling which would regard an attack upon an ostensibly friendly nation as an execrable and, in the strictest sense, a damnable act, an act which must be condemned by the conscience that guides not only educated men, but guides the man in the street. A workman does not kill his rival who gets the job, even when there is no other job to [illegible] that is the feeling which I think actuates the working classes, and I believe [illegible] feeling of the working classes could be brought in with international advantage. They agree that war is all very well for the swells, but poor men must help each other. [illegible] opportunity should be taken of showing the cordial co-operation we wish to manifest in German affairs when occasion arises to join in exhibitions in Germany. I regret very much that action has not been taken this year to join in the exhibition of hygiene at Dresden. That is a small point, but it is an illustration. There is one other idea. This necessity for agreement; has it very long been felt, and is there no possibility now of a special commission such as in the past has not been unheard of in the course of international negotiations? Is it not possible now, when things are dragging so very long, to have a special commission to Berlin, or a special conference in London if ordinary diplomatic machinery is not adequate? No one has greater gifts for such a mission than the

Foreign Secretary all sides of the House agree. There is a precedent for such a mission in the visit of Lord Beaconsfield to Berlin. There is another and more closely similar precedent in the mission of the Duke of Wellington to St. Petersburgh in 1826. He was not Foreign Secretary, but he was from Lord Liverpool's Government. If such a precedent were followed, and there might be an attempt to accomplish general agreement with Germany who could more perfectly perform the task than the Minister so renowned for his intimacy with German life and German people as the Minister [illegible]

Ministers are overworked. So they are, but how can help be given them to make up for the overwhelming situation in which they find themselves. I venture to think that the solution lies in the greater publicity and greater positive invitation to public feeling on the part of Ministers, lies in fuller discussion in this House, which [illegible] excluded by comparison with the past in recent times. Why [illegible] existence the new world to redress the balance of the world [illegible] omented in this House, as we all think most happ[illegible] party. The Labour party is the only party which during the last few months has set itself to make a point of peace education. This is a matter of public education, and unless you totally deny that there is any force controlling the world except material [illegible] it is a matter of education, and how is educ[illegible] Diplomacy has a very old tradition and a very [illegible] is represented in our case by a very small service of a very [illegible] compared with other services. They lead a life isolated, they are underpaid, they are extremely able and extremely charming, but what have they to help them in their work by way of the influence of [illegible] It would be an immense assistance to diplomatists in every part of the world and to the Foreign Secretary. We all know that public opinion, if it had had its way in time past, would have saved us very great blunders. [illegible] it undoubtedly have saved us from the Crimean war. We are dealing to-day with hard facts. We are dealing with estimates, and we are asked this year to spend no less a sum than £28,000*l.* upon these negotiations between States quite apart from any war expenditure. Sir Robert Peel, in his last speech in the debate in 1850, said —

"Diplomacy is a costly engine for maintaining peace and a remarkable instrument used by civilised nations for the purpose of preventing war. Unless it be used to appease the angry passions of individual men, and I am not using a precedent of a party character, but one that would be recognised by all classes, unless it is used to check feeling which arises out of national resentment, it is an instrument not only costly, but mischievous."

Mr. [illegible]—I hope the House will allow me in the short time at our disposal to pass from the atmosphere of inoffensive amiability into which we have been plunged [illegible] with regard to the Bagdad Railway. The honourable member opposite Mr. Noel Buxton declared that in Asia there was room for all of us. If that statement [illegible] bounded the Persian Gulf, we on this side should give it an emphatic [illegible] the Persian Gulf politically speaking, there is no room for any two competing nations at [illegible] It is from that point of view that I welcome the statement that we have obtained from the Foreign Secretary, reaffirming the view which has been held by British statesmen for a long time as to our exclusive and paramount position in the [illegible] Secretary for Foreign Affairs was good enough to inform me that there was no need whatever to make any reaffirmation of our policy, because no changes whatever had taken place to make such a reaffirmation necessary. At the time at which I spoke we had recently heard from the press that certain negotiations between Russia and Germany were actually in progress. I do not know if he suggested then that those negotiations in no way altered the position; if he did, I can only say that his statement met with considerable criticism in the press of France and Germany, which in leading articles deplored his silence as being "designed, abnormal, and very regrettable." I do not know if he would consider the Russo-German negotiations, which vitally affect our position on the Bagdad line, to be of no interest to this country. I am glad to think that to-night the Foreign Secretary has given us some undertaking, if not a completely satisfactory one, that the matter is having some attention.

I had hoped to-night to give some history of the present situation with regard to the Bagdad Railway. Unfortunately, there is no time to do so, and I will pass directly to the main point which affects this country commercially, and that is the Khanikin line, which the leader of the Opposition introduced to our notice [illegible] soon. Before doing so, I will just remind the committee that there is [illegible] ner branch of the Bagdad Railway which is of some considerable importance to this country, from quite a different point of view, namely, the branch which [illegible] a short time connect the main trunk line between Constantinople and [illegible] with the line at Kilis and Aleppo. This, perhaps, is not a matter of very [illegible] concern, but in reference to it I will call the attention of the [illegible] gentleman to a very interesting monograph recently published in its [illegible] and edition by an eminent German economist. From that monogr[illegible] that in Germany the Germans themselves attributed great [illegible] the Syrian line with the main Bagdad line, because the [illegible] places—one in Egypt and one [illegible] would be useful to Turkey, and through Turk[illegible] if at any time such a line were needed for strategic purposes. I do n[illegible] upon that. I think those who remember the negotiations regar[illegible] incident as well as I do, and remember what took place with respect to the Egyptian [illegible]

[illegible] ly and purely commercial question regarding the Khanikin line, I would ask the right honourable gentleman's attention to the answer he gave to a question put [illegible] honourable friend the Member for Melton, as to what he was going to do to [illegible] our interests on the Bagdad Khanikin line. The substance of the right [illegible] considered that in article 24 [illegible] no security against discriminatory tariffs.

The right honourable gentleman the leader of the Opposition made the point that the right honourable gentleman had not quoted in full this 24th article, and had missed out a very important part. The Foreign Secretary told us that the article provided that these tariffs, whether they be differential or not, admitted the pri[illegible] [illegible] icable to all nations, but he forgot to tell [illegible] was not necessary nor was a notification to the Imperial commissioners. If the right honourable gentleman is going to base the whole million pounds' worth of trade on the reading of article 24 of the "Cahier des Charges," which in cases of urgency do not have to be referred to the Ottoman Government at all, I think it is a very slender scheme. I think Manchester merchants, tradespeople, and workpeople will have a good deal to [illegible] all the right honourable gentleman has to say as to our [illegible] trade. There is nothing that can possibly safeguard our trade in that particular [illegible] The right honourable gentleman, the leader of the Opposition, pointed out clearly [illegible] perfectly possible for a German railway which may be constructed there to keep within the terms of this article 24, and yet impose a tariff which can be completely discriminatory against British goods.

Let us take the case of articles going up by that line. The [illegible] ester and India that go up the Persian Gulf and by the British line and [illegible] Khanikin route are cotton goods. The main German goods that go are of very small value, and are generally known as fancy, or cheap, goods. I put it to honourable gentlemen opposite: What on earth is there to prevent on that Germ[illegible] railway a very low nominal tariff being put on those goods in which Germany is [illegible] sted, and a prohibitory tariff on those goods in which Britain is interested? [illegible] is absolutely nothing.

It is the old most-favoured-nation clause illusion! I shall be very interested to [illegible] the Foreign Secretary in what way he thinks we can safeguard our trade [illegible] ign Secretary twitted the right honourable gentleman, the leader of the [illegible] the *status quo* with regard to the Bagdad Railway with regard to the safeguarding of our trade on the Khanikin line. I can give him an answer. I would ask him whether he thinks, to use a slang phrase, that "the game is quite up" on the Khanikin line? I do not. I think there is a great deal to be done in negotiation in regard to getting equal terms in the control of the Khanikin line. I am quite prepared, as I have done before, to show him the means by which I think it can be brought about.

Sir E. Grey.—What means?

Mr. Lloyd.—By building from Coolamari, below Bagdad, which would give our trade free entry to the Persian Gulf.

Sir E. Grey.—The honourable gentleman says I twitted the leader of the

Opposition for not having made a suggestion, but I went on to make a suggestion of my [illegible] r own, which would be under our control for British trade [illegible] le gentleman is quite prepared to base his whole [illegible] etting such concessions as will safeguard our own trade. I suggest one for [illegible] to Bagdad. I hope the right honourable gentleman will give us an [illegible] but the claim will be pressed for an alternative railway to the [illegible] on Gulf, a railway that would safeguard our trade from any di[illegible] tariff on the Kouriskin line. So far we have [illegible] trade [illegible] —I attach great importance to the suggestion [illegible] rms as to the possibility of other routes, which I think the hon[illegible] r ught not to ignore, but I do not propose to prejudice in advance th[illegible] steps we may take in that direction by specifying beforehand the particular applications we may make.

Mr. Lloyd.—I quite understand that, and I should not like to press the right [illegible] ourable gentleman in any matter of foreign policy to specify in detail what he is [illegible] to do in the future, but he deliberately challenged us to give him an [illegible] to what we should do. We should not have ourselves have brought up th[illegible]

[illegible] I am not in the least complaining of the honourable member's suggestion. I make no complaint of his suggestion.

Mr. Lloyd.—The right honourable gentleman challenged us absolutely and emphatically to provide a solution, and he twitted the leader of the Opposition for not [illegible] do any suggestion. I provide a suggestion, and when I do so the right [illegible] tleman says we do not propose to prejudice in advance the negotiation [illegible] g on. From that point of view it is not a tolerable position. I have [illegible] ated, as I believe the right [illegible] trade is properly safeguarded [illegible] lering the only ten [illegible] y or as criticised so bitterly [illegible] sold the whole of the route [illegible] the last five years since the present Government came [illegible] will be divided up in Persia and will be given [illegible] notice to the German Government. To many of us that is an untol[illegible] position for British trade and we see no justification whatever for it. I [illegible] the arguments put forward in connection with the Anglo-Russian concession, when we were told in neutral zones there was no reason why we should not have equal rights [illegible] h Russia. The right honourable gentleman has forgotten he has allowed all the [illegible] to be included in the Russian sphere; and you cannot build a railway from [illegible] town to a spot in the desert, and that is what you have left in the northern [illegible] n at the present time. I wish to ask the right honourable gentleman [illegible] e other point in regard to the Bagdad-Khanikin route. I want him to [illegible] l back to the days of Lord Stratford Canning and his correspondence with regard to another great trade route which he created, and which has been of great value to British trade. I refer to the route through Trebizond, Erzeroum, Tabreez, and Teheran, from the Black Sea into Northern Persia. If the [illegible] honourable Baronet takes the [illegible] days and the pains taken to form that route for the be[illegible] he will look at that route today, and see what has happened to it by following the [illegible] y of natural channels, he will see that, year by year, while the trade of Trebizond increases, our trade decreases annually owing to Russian subsidies and our own apathy with regard to this particular route. The trade there is measured by transport capacity, and only fourteen years ago 40,000 camels a-year were being loaded up with British goods to take into Persia. Only three years ago that total of 40,000 had [illegible] route has practically been abandoned in regard to British trade, and if the right [illegible] in the opening lines that he has a very unsatisfactory year to record, because British trade has sunk while Russian trade has increased. According to the right honourable [illegible] [illegible] trade has increased by 375 per cent. If the right honourable gentleman finds any satisfaction in that state of things in Persia with regard to our trade, then

I cannot agree with him. I think it most deplorable, and I hope measures to secure our trade interests will be taken in connection with the Bagdad-Khanikin line, or any other subsidiary line, by the Foreign Office.

Lastly, I wish to refer to the political situation that obtains below Bagdad. I think the leader of the Opposition has stated the case very plainly to-night. We all agree that, so far as the Bagdad Railway is within Turkish territory, we can have no real decisive claims upon it, but we may negotiate in respect of our old privileges and the old historic character of our relations with Turkey below Bagdad on the Tigress River and any other portions. But once we come to negotiate with regard to Koweit itself the matter is entirely different. The right honourable Baronet has given us a very unsatisfactory statement with regard to Koweit. I regret it was not given earlier. When the Foreign Secretary asks us whether there is anything which can be done to stop those measures which have been taken against us in that part of [illegible] reply that if he would occasionally treat this House with a little [illegible] would make some open statement of the continuity of foreign [illegible] policy when it becomes [illegible] do not wish to get details of an embarrassing nature from the right honourable gentleman, as he knows very well, as I have on one or two occasions, and failed to get it, he would do a service to this country by stopping the machinations of other foreign nations with regard to our diplomacy in the East. I remember very well when I made a speech [illegible] by the right honourable gentleman opposite with criticisms, and it was with great reluctance he made any statement at all. What was the result of the statement he made? The result of the statement, which, if I may use the word with all courtesy, he was compelled to make by my speech in the House, was that in all the main newspapers in Europe it was said the right honourable gentleman's speech had allayed anxiety in the East, and largely conduced to a peaceful settlement of that very difficult question. I adduce that as a proof that, if occasionally when we call as we have every right to do, for a statement of the continuity of foreign policy in this House, the right honourable gentleman could meet us with a little more candour than he has in the past it would be an advantage. In conclusion, with [illegible] Turkish [illegible] territory [illegible] can claim absolutely nothing. It has been independent territory, and avowed as such in this House and in England for many a long year past, and the sooner that is [illegible] I have the hopes [illegible] policy I have worked very hard for many a long year past as they know, the [illegible] of the Bagdad Railway. The sooner that is done, and it can only be done by the most firm attitude on our part, the sooner we shall have better relations with Germany, and not until th[illegible]

Mr. James Hope. Last year we had no Foreign Office Vote put down at all, and no proper discussion on foreign affairs. To-day the discussion has been interrupted by other business both in the afternoon and in the evening, and I would ask the right honourable Baronet to use his influence with the Prime Minister, so that the Foreign Office Vote shall be put down on the earliest possible Thursday.

Sir E. Grey.—I quite agree that the discussion has been very much interrupted. Of course, I cannot undertake to say when the Foreign Office Vote will be taken, but I understand that the general convenience of the House is consulted through the usual channel, and it will be so in this case. The fact that the discussion has been interrupted to-night will no doubt be taken into consideration.

Mr. James Hope.—Will the right honourable Baronet do his best?

Question put: "That item class 2, Vote 5 (Foreign Office), be reduced by 100*l.*"

The Committee divided: Ayes, 89; Noes, 232.

9044] No.

Lord Grimthorpe to Sir Edward Grey.—(Received March 11.)

My dear Grey, 80, *Portland Place, W., March*

MANY thanks for your letter of the 8th instant. Whether the Government will offer such terms as to make it worth our while to build the [illegible] If they do, I will not fail to let you know what they are before we sign the contract.

Yours very truly,
GRIMTHORPE.

[9061] No.

Sir G. Buchanan to Sir Edward Grey.—(Received March 11.)

(No. 55. Secret.)
(Telegraphic.) P *St. Petersburgh, March* 11, 1911.

PERSIAN railways. My telegram No. 54, Secret, of the 10th March.

I shall shortly have to ask for an interview with M. Stolypin in order to speak to him about the extension of the fishery limit. Would you wish me to take the opportunity of broaching the question of the Mohammerah Khoremabad Railway to him? If it is the wish of His Majesty's Government to ask for the concession for this line at once I might explain to M. Stolypin our reasons, and say that I hoped there would be no objections on the part of the Russian Government. I might add that [illegible] whole question with them before proceeding to construct the l[illegible]

The matter will have to be submitted by M. Stolypin to the Council of Ministers, and, if you approve the above suggestion, it would therefore, be advisable for me to furnish him with a confidential memorandum setting forth any views that I may be instructed to express to his Excellency.

8930] No. 154

Sir Edward Grey to Sir G. Lowther.

(No. 63.)
(Telegraphic.) P *Foreign Office, March* 11, 1911.

BAGHDAD Railway. Your telegram No. 58.

You may choose the exact form which your comm[illegible] 4 per cent. customs increase shall take, but it is essential that it should be made in writing and in a form which will put it on record at the Porte, as they have persistently [illegible] attitude in regard to this ques[illegible] memorandum handed to Ottoman Minister of Finance on the 28th [illegible] about Egyptian borrowing powers is not a [illegible]

[9095] No. 155

Sir E. Goschen to Sir Edward Grey.—(Received March 13.)

(No. 85.)
Sir, *Berlin, March* 10, 1911.

I HAVE the honour to report that your speech in the House of Commons on the subject of the Bagdad Railway and Koweit questions has, according to the "Norddeutsche Allgemeine Zeitung," made a very favourable impression in official circles. "Your statesmanlike speech," that paper says, "clearly shows the lines on which an understanding can be discussed and arrived at, both as regards the raising of the Turkish customs dues and the building of the railway from Bagdad to the Gulf."

The Imperial Chancellor told me this evening that it was he himself who had caused this paragraph to be inserted, and he asked me to tell you how much he appreciated your clear and conciliatory language on these two questions. His Excellency also said that he was glad to be able to say that he noted a general improvement in the relations between the two countries. This opinion was, he told me, shared by Count Metternich, whom no one could ever accuse of exaggerated optimism.

The Chancellor did not mention the question of Koweit, but the press this [illegible] has much to say on the subject. As the messenger leaves to-morrow morning, I have [illegible] time to give more than the briefest summary of their remarks. The "Vossische Zeitung" says, while expressing itself very favourably as regards your statement regarding the Bagdad Railway, that it cannot on the other hand agree with your reservations respecting Koweit. It says that though the Turkish sovereignty over Koweit has for many years laid dormant it nevertheless exists, and that though through this sovereignty not having been made effective Great Britain has been able to obtain [illegible] the treaties she has made with the Sheikh of Koweit cannot be held [illegible] as they are not recognised by Turkey. It adds that things now are not as they were, and, that with the regeneration of Turkey, a thorough examination and exchange [illegible] subject between the two Powers concerned cannot be much [illegible]

The "Kreuz Zeitung," at the close of a long historical article on the subject [illegible] position of Great Britain in the Persian Gulf, says that the necessity of putting an end to all doubts on this question has now become acute, and that, as it is in itself a question of right, the Court of Arbitration at The Hague would seem to be the proper place to have the matter definitely threshed out. It adds that though it can hardly be supposed that as the first and foremost champion of the principle of arbitration, Great Britain could refuse such a proposal were it to be made to her by Turkey, still it cannot be denied that there are certain difficulties arising out of the general situation which stand in the way of such a solution.

In a second article on the same subject, the "Kreuz," after scoffing at the British idea that in this question Germany stands behind Turkey, quotes largely from Mahan's articles, and especially from an article by that writer in the [illegible] September 1902, in which he comes to the conclusion that as long as Germany's nearest harbour to the Persian Gulf lies in the North Sea, the Bagdad Railway, as far as that Power is concerned, constitutes strategically no danger to Great Britain. The "Kreuz Zeitung" says that Englishmen will not fail to remark that Mahan's article was written before Germany commenced to build Dreadnoughts, and that the situation has thereby been changed, and it adds that articles have appeared in the British press to the effect that, though Great Britain has the power to maintain her position in the Persian Gulf, it can only be done by weakening her naval strength in Home waters. This argument, the "Kreuz" observes, applies in a far greater measure to Germany, for if she detach even a fairly strong squadron to the Persian Gulf, how could she possibly defend her coasts against an attack by the British fleet?

The article then says: "If we understand the policy of Great Britain in the [illegible] foreign [illegible] sea routes from the Suez Canal to the East. An effective means for realising this idea would be to set up a new Aden or Gibraltar, either on Persian or Arabian territory, at the entrance to the Gulf. In this case France would have to be induced to sell her treaty rights in Oman; perhaps, also, in spite of the understanding of 1907, Russia might raise diplomatic difficulties. Still, the idea is not new, and the creation of British spheres of influence in Persia may have been a preliminary to such a step should events render it necessary. Another way would be the formation of a strong naval squadron, with its base on the Indian coast, whose duty it would be to close the entrance to the Gulf when necessary. In both cases Great Britain would be true to her traditional policy of letting no straits or narrow seas of any strategic importance fall into the hands of a great sea power. Both of these methods would, of course, cost a great deal of money, and would be a heavy charge on both the English and Indian [illegible] ers; they would, moreover, necessarily give rise to considerable difficulties and [illegible]

There is, however, a third way for Great Britain to realise her aims if she really considers it so vital to her interests to keep any foreign maritime Power out of the Persian Gulf; it is, perhaps, open to her to arrive at that result by diplomatic means. Whether Russia would lend herself to an arrangement on the lines desired by England is a question by itself. First and foremost it is a question between Great Britain and Germany, and as Germany's interests in the East are of a commercial and not a [illegible] nature, an understanding between the two Powers on the subject of the Persian Gulf would appear to be by no means impossible.

"The particular question of Koweit is in itself a juridical matter—a question of

rights. If, as such, it was an isolated question, Turkey could not do better than propose to Great Britain that it should be referred to The Hague tribunal. It is, however, not an isolated question, but one closely bound up with the numerous political and strategical problems of the Persian Gulf. But the whole Koweit question would lose its importance, and the solution of the southern section of the Bagdad Railway become comparatively easy, if only an Anglo-German Persian Gulf understanding could be arranged which would pay due regard to Great Britain's special position and her political and strategic interests."

This is the concluding sentence of the article, and there is no mention of what concessions or advantages Germany would, in the writer's opinion, expect to gain from such an understanding. As, however, the article from which I have quoted is one of a series, the German side of the question may possibly appear in a subsequent issue of the Kreuz-Zeitung.

I have, &c.
(for the Ambassador),
R. S. SEYMOUR.

[9220] No. 156

Sir W. Goschen to Sir Edward Grey.—(Received March 13.)

(No. 66.)

Sir,

[illegible] Deutsche Tageszeitung" in [illegible] the recent article in the German [illegible] organ on the Bagdad Railway question (see my despatch No. 55 of the [illegible]stant), has had the effect in England of a salutary cold douche, and that its clear statement of facts is a welcome change from the endless talk in the British press about "undoubted claims" and "well founded" rights. Regret is then expressed that the article in the "Frankfurter Zeitung" (enclosed in my despatch [illegible]stant), was not more fully quoted in English newspapers, as the "T[illegible]nders that the explanations of that organ were of a nature to make the case particularly clear to the average Englishman, which was extremely desirable in view of the fact that the opinion had been expressed repeatedly by English [illegible] writers that the establishment of a "German Gibraltar" on the Persian [illegible] be intolerable to England.

After reproducing several passages from English press articles on the vexed question of Koweit, the "Tageszeitung" observes that England might perhaps be ready to give evidence of her friendliness towards Turkey by publishing the terms of her amicable agreement with [illegible]

I have, &c.
W. E. GOSCHEN.

[9298] No. 157

Extract from the "Times" of March 13.—(Received March 13, 1911.)

The Bagdad Railway. Germany and Sir Edward Grey's Speech.

A CHANGE OF FROST.

(From our own Correspondent.)

Berlin, March 10, 1911.

THE "North German Gazette" publishes the following semi-official note this evening:—

"The statesmanlike utterances ('die in staatsmännischem Geiste gehaltenen Ausführungen') of the British Foreign Secretary, Sir Edward Grey, in regard to the Bagdad Railway question have made a very favourable impression in Government circles in Berlin. The statements of the British Minister point the road by which an

agreement can be prepared and arrived at ('angebahnt und erreicht') both in the question of the increase of the customs and with regard to the carrying out of the construction of the line from Bagdad to the Gulf."

It is unofficially stated that the Emperor William had a long conversation this morning with the German Foreign Secretary, Herr von Kiderlen-Waechter.

[9299] No. [illegible]

Extract from the "Times" of March 13, 1911.—(Received at Foreign Office, March [illegible])

TO THE EDITOR OF THE "TIMES."

SIR,

IT has been announced that negotiations are about to take place between the Ottoman and British Governments with reference to Mesopotamia and the Persian [illegible]ing the question of the terminal section of the Bagdad Railway. [illegible]ne who desires the removal of causes of friction between the three countries concerned (the United Kingdom, Turkey, and Germany) must hope that these negotiations will be successful. But the public will have a voice in the matter, and agreement will be difficult unless public opinion in the three countries can free itself from prejudice and misapprehensions, and can appreciate the position of the other parties.

There are several aspects of the question which invite comment from this point of view, but I do not venture to ask you for space to deal with more than one sub-matter—the kilometric guarantees.

"Kilometric guarantees" have acquired a bad name. They are habitually [illegible] implying moral obliquity in anyone who has anything to do with them. [illegible] recent leading article, has described them as "iniquitous." Mr. Lloyd, M.P., in the House of Commons expressed a hope that we should refrain from "smirching our fingers" with them. The "Spectator" reserves for them its most solemn a[illegible]

I venture to assert, without fear of contradiction, that there are hardly any railways in Turkey which can be built without a guarantee of some kind, since the prospects of traffic at the outset are not sufficiently good to cover working expenses and give even the most moderate remuneration to the capital employed. It is frequently stated, with an air of superiority, that the Smyrna Aidin Railway (the only British-owned railway in Turkey) has no guarantee. This line serves one of the [illegible] and best cultivated districts in Turkey, but during the first thirty-two years of [illegible]tence it was in receipt of a guarantee. Some other railways (such as the Salonica Monastir Railway) may prove remunerative, apart from a guarantee, after they have been working for a certain time. But, broadly speaking, it may be said that in Turkey, as in India and many other undeveloped countries, Government guarantees [illegible]e kind or other are indispensable if the country is to be opened up by railways. [illegible] circumstances, it is unreasonable to criticise the Government for offering, or [illegible]rinkers for accepting, guarantees.

Apart, however, from the general question, the guarantees for the [illegible] have been attacked as "iniquitous" on the ground that they are ex[illegible] and vicious in form. I do not say that the arrangement is the best that could be devised in the interests of either of the parties, but an examination of the figures will show that there has been much exaggeration on the part of the critics.

The guarantee of the Bagdad Railway is divided into two parts. The first relates to the construction of the railway, the second to its working. As regards construction, the Turkish Government hands over to the concessionnaire company for each kilometre of line built Government 4 per cent. bonds to the nominal value of 10,764*l.*, requiring an annuity of 440*l.* for interest and sinking fund. The cash equivalent of these bonds at the present level of Turkish credit may be taken as about 8,500*l.* For this sum the line has to be built and provided with rolling stock. The specification for the building is a very stringent one. It provides for 75-lb. rails and a speed throughout of 75 kilom. per hour, including stoppages. The company has to meet the charge for interest on the bonds for each section during construction. The company also takes the risk of any fall in Turkish credit, which would diminish the cash proceeds of the bonds. The railway, when completed, is the property of the Government.

There is no doubt that in the easier sections of the line the sum available will [illegible] an ample margin, and it is mainly on an estimate of the cost in the [illegible] tracks are based. But there is equally no doubt that there are other [illegible] such as that now being constructed through the Taurus Mountains, where there will be [illegible] It is probable that on the whole undertaking there will be a substantial [illegible] aid, indeed, if it were otherwise, no one would have accepted [illegible] But even if this balance should amount eventually to 15 or 20 per cent. of the whole cost to the Government (and it is improbable that it will be more than this), it is contended by the concessionnaires that this is not an excessive margin of safety for those who undertook to carry through an enterprise costing some [illegible],000,000., extending, perhaps, over fifteen or twenty years, and depending for its [illegible]ssful prosecution on the maintenance during that period of Turkish credit. [illegible] legitimately differ as to the precise margin required, but such difference [illegible] does not justify or excuse charges of extortion or [illegible]

The second part of the guarantee relates to the arrangements for working the line. [illegible] Government guarantees to the company wh[illegible] [illegible]00 fr. (18*l*.) per kilometre, that is to say, if the gross traffic receipts are less [illegible] that amount the Government makes up the deficit. Thus, if the receipts amount to exactly 18*l*. per kilometre the Government has nothing to pay and nothing to receive in respect of the working. All receipts above 4,000 fr. per kilometre go to the [illegible] [illegible]d of 10,000 fr. (400*l*.) per kilometre is reached, at which point [illegible] Government's 238*l*. Any receipts above that [illegible] the proportion of 40 per cent. to the company and 60 per cent. [illegible] such sums as may accrue to the Government from the traffic [illegible] amount payable for the constru[illegible]

Thus, if the gross receipts should ever amount to as much as 2[illegible] kilometre per annum, the Government's share would be 460*l*. (sra[illegible] + 100*l*. = 460*l*.). At this point the railway would not only be earning enough to pay [illegible]r its own construction, but would have become a source of direct profit to the [illegible]

[illegible] is favourable to the Government and [illegible] to the [illegible] criticised for defects precisely the opposite of those alleged in [illegible] of the construction guarantee. It is pointed out that the share assigned to the company will hardly suffice (except where the traffic is very small) to meet the cost of working and that consequently it does not offer inducements to the company to foster traffic. There is some truth in this, and it is obviously expedient, in the interest of all parties, that the working company should have a strong interest in deve[illegible] It would be to the advantage of the Bagdad Railway Company to secure [illegible] in this direction if it could be obtained without a disproportionate sacrifice in other respects, but whether the Ottoman Government would see the advantages of such a modification with sufficient clearness to induce them to relinquish a [illegible] share of the traffic receipts is more doubtful. In any case, there is no ground for accusing the concessionnaires of having obtained an unfair and extortionate advantage.

This brief analysis of the guarantees shows, I think, that the indignation of their [illegible]ics is based on a very one-sided view of the facts. In any case the result is deplorable. The Turks themselves, while regretting that a better bargain [illegible] made when the concession was granted, fully recognise its validity. Moreover [illegible] are anxious to see the railway constructed. They are therefore by no [illegible] to us for obstructing the completion of the line by way of showing gra[illegible] themselves for the protection of their interests in a matter which does not directly concern us. The Germans, not unnaturally, perhaps, doubt whether we should be at such pains to protect the Turkish Treasury if we were not hostile to the enterprise on other grounds. It is necessary for us to recognise that by covering the present holders of the concession with reproaches, which they strongly resent, we do not facilitate the remodelling of the scheme on lines which would remove our objections to it, especially as the concessionnaires would feel that by inviting most sections of the present contract they might be taken to admit that the attacks on it are well founded.

[illegible]

with good-will, but such language as has been used about the enterprise tends to create an atmosphere of hostility, and so renders the solution more difficult.

I am, &c.

[illegible]

9318 No. 9

[illegible] *Times" of March 13.—(Received at Foreign Office Ma[illegible] 15.)*

THE BAGDAD RAILWAY: TURKISH VIEWS.

[illegible] So far the utmost secrecy has been maintained with regard to the progress of the negotiations between the Bagdad Railway Company and the Porte. As for the pourparlers between Great Britain and Turkey on the questions connected with the Persian Gulf and the prolongation of the railway south of Bagdad, all that can be said is that Rifaat Pasha has adumbrated certain proposals on behalf of the Ottoman [illegible]

In some influential Young Turk circles the view seems to be held that the result of these pourparlers will depend entirely on the settlement in a manner favourable to the Turkish claims, of the Koweit question. In the case of such a settlement, the Porte is likely to agree to the internationalisation of the terminal section of the Bagdad Railway from Bagdad to Koweit on the basis of a measure of participation in the financial control of that section. Such control it would desire should be shared by England, France, Germany, and Turkey.

Failing such a settlement of the Koweit question, the concession for the construction of the Gulf section will, it is thought, be granted exclusively to the Bagdad Railway Company, and the terminus of the line would be established either at Bassorah or at a point on the coast of the Persian Gulf north of Koweit, such as Umm Kasr or Khor Abdullah, both of which are considered here to be Turkish territory.

Constantinople, March 12, 1911.

(9344) No. 160.

Sir G. Lowther to Sir Edward Grey.—(Received March 14.)

(No. 151.)

Sir, *Constantinople, March 10, 1911.*

I HAVE the honour to forward herewith translation of an article by Hussein Jahid in to-day's "Tanin" on the subject of the Bagdad Railway and the 4 per cent. increase of customs dues, entitled "Fresh Statements by Sir Edward Grey."

I have &c.

GERARD LOWTHER.

Enclosure in No. 160.

Brief summary of Hussein Jahid's Leading Article in the "Tanin" of March 10, 1911.

(Translation.)

FRESH STATEMENTS BY SIR EDWARD GREY.

WE know by experience that mistakes sometimes creep into telegrams from London which do not come direct, but are passed on from one centre to another. Our present remarks must therefore be considered to apply only if the reports of Sir E. Grey's statements with regard to railways in Turkey and the customs increase [illegible]

Here follows part of the telegram in question.]

We can accept the statement about the English being able to try to obtain other railway concessions, provided the meaning of the phrase is not stretched. Our country [illegible] progress, and we are therefore pleased that English capitalists should seek to obtain railway concessions in Turkey; but if there is any possibility of stretching (the phrase) [illegible] interference with the Bagdad-Bassorah Railway negotiations, i.e., if there is [illegible] gard (such other concessions) as compensation for the construction of [illegible] Bagdad-Bassorah line, we say that Turkey cannot accept such a d[illegible]

We find th [illegible] no doubt to the [illegible] despair of the Eng [illegible] that what gives him hope is that the Ottoman Gov [illegible] with regard to an increase in the customs dues. This means that the British [illegible] pose some conditions on our rightful, lawful demand. Seeing that [illegible] ns who will pay the customs dues, and that not a [illegible] t of the pockets of foreigners on that account, we cannot think it quite [illegible] e to raise difficulties over this increase which we need to ensure our [illegible] equilibrium and to consolidate our Government, or to act as though making [illegible] es to Turkey and to seek for compensation.

When we once proposed to England that the customs should be increased, the condition she laid down was that the increase in reven [illegible] be devoted to the construction of the Bagdad Railway. W [illegible] can be built with the old earmarked revenue. Are we going t [illegible] nals just when we thought we had a right to expect [illegible]

[illegible] railways which might damage the rights of British commerce, [illegible] violently referring to the Lynch steamers. If the Bagdad–Bussorah line is constructed, it will compete with the Lynch steamers, therefore let it not be built. That is the point of view of the English Minister for Foreign Affairs in its nakedness. This means that we made a mistake in ever allowing English capitalists to come to Irak, for it means that we shall now have to suffer punishment for that per [illegible] being unable to build a railway we want. For us to be able to build a railway i [illegible] n country—a question of life and death—they impose a condition on us and tell us to safeguard and assure England's commercial interests. With such bitter examples before us, how can we help being scared of foreign capital in general? For we see that a favour granted by us to-day in answer to a request and entreaty is used ag [illegible] us to-morrow as a weapon. Such an action may be a sign of strength, but it is [illegible] proof of such justi [illegible]

9419] No. 161

Extract from the "Times" of March 14, 1911.—(Received at Foreign Office, March 14.)

THE KILOMETRIC GUARANTEE

(To the Editor of the "Times")

SIR,

THE letter from your correspondent "Veritas" in to-day's issue raises an interesting question and one which is not unlikely to become urgent in the near future.

I differ profoundly from your correspondent in regard to much of his letter, but I desire at present to join issue with him upon one aspect of the question alone. His [illegible] n that while the construction annuity may perhaps be excessive, the guarantee [illegible] ng the line is arranged upon such a scale that any excess yielded by the first item is more than counterbalanced by the loss to the promoters involved in the second, with the net result that the railway becomes a direct source of profit to the Turkish Government.

Your correspondent admits that in regard to construction there will be a substantial balance on the right side—that is, in favour of the promoters: this substantial balance "may be 1,000,000*l.*, 3,000,000*l.*, or even 5,000,000*l.*"

The Turkish Government have to recoup themselves for this substantial balan [illegible] which is an adverse one from the point of view of the Turkish taxpayer—by the working expenses guarantee. What is this "working expenses guarantee"?

According to article 35 of the Bagdad Railway Convention of March, 1903, it is provided as follows:—

Until the gross [net net] receipts per kilometre reached 4,500 fr. per annum, the difference between this sum and the actual gross receipts will be made up to the company by the Ottoman Government. When these receipts exceed the said 4,500 fr., but have not reached 10,000 fr., the entire surplus, over and above 4,500 fr., goes to

the Ottoman Government. When the gross kilometric receipts surpass 10,000 fr. the excess over this sum is to divided between the Government and the company in the [unusual] proportion of 60 per cent. and 40 per cent.

Now, sir, in the Egyptian Delta Railways it is, I believe, found necess [illegible] invert the last-named proportion, so that of the gross receipts only 40 per cent. accrues to the Government and 60 per cent. is left to the railway company. How, therefor [illegible] Bagdad Railway Company to work the line if such an unusual proporti [illegible] is to be forfeited to the Turkish Government? [illegible], so long as the gross kilometric receipts are kept below [illegible] possibility of loss to the company; it is therefore to the direct [illegible] the company to restrict receipts within that figure, in other words, th [illegible] first aim of the company must be, from the point of view of its shareholders, to discourage traffic on the line, and, so long as this is successfully done, the profit of the Government from the undertaking is *nil*, while there is nothing to outweigh the [illegible] in the hands of the company after construction [illegible] the construction annuity is more than sufficient, the working [illegible] antee is arranged upon such a scale as to discourage traffic. Neither [illegible] nt is apparently to the benefit of the Turkish taxpayer.

There seems to be a consensus of opinion that, as your correspondent points out, [illegible] Turkey, in India, and in other undeveloped countries some sort of a guarantee is [illegible] of railways. But there are forms of gu [illegible] progressively develop [illegible]

Your correspondent [illegible] the advantages of substituting some such arrangement as obtains in India f [illegible] which places a premium on dubious methods. I cannot bring myself to sh [illegible] appreciation of the intelligence of the Young Turks. I rather apprehend that the objection to a modification in the terms of the concession will emanate from the promoters of that enterprise, while there have been clear indications, not only in the Turkish press, but in the Chamber of Deputies, that opinion in Turkey is aware that all is not well under the terms of the concession of 1903.

I am, &c.,
VERITAS

March 13, 1911.

8929 No. 162.

Sir Edward Grey to Sir G. Buchanan.

[illegible] Secret.

[illegible] P. *Foreign Office, March 14, 1911.*

[illegible] telegrams No. 54 of the 10th March and No. 55 of the 11th March [illegible] Khorremabad line [illegible] osed in your telegram No. 55 has my approval. Yet it might be more prudent to attach to our trade in Western rather than in Northern Persia in any conv [illegible] sations you may have with Minister for Foreign Affairs. Our trade viâ Bagdad and [illegible] rmanshah, as you are no doubt aware, has recently risen to nearly 1,000,000*l.* a-year, but it would be as well to avoid rousing Russian susceptibilities unnecessarily. No allusion should be made to trans-Persian railway project.

M. Stolypin may be handed a memorandum as you propose, and he should be given to understand that at present we only wish to obtain an option to construct the [illegible] rt at Khor Musa, but that we consider it important to approach the [illegible] overnment without delay. You may add that we will discuss the subject very fully with the Russian Government before we exercise that option, and consider carefully how far British capital could be induced to invest in a Russian linking-up line from Julfa to point on proposed Mohammerah Khorremabad line, and how best Russian trade interests can be safeguarded if scheme is realised.

[9842] No. 163.

Sir Edward Grey to Sir F. Bertie

(No. 90.)

Sir, *Foreign Office, March 14, 1911*

I TOLD M. Cambon to-day, confidentially, what were the Turkish proposals [illegible] to the Bagdad Railway, pointing out that, in return for a 20 per cent participation in the section from Bagdad to the Gulf, we should hand over Koweit to the Turks. This, of course, was impossible. But we were having the proposals examined by the India Office and the Board of Trade, and I considered that we were only at the beginning of the negotiations.

M. [illegible] thought it was out of the question that we should accept the Turkish [illegible] pointed out this to Djevad Bey, of [illegible] consort with [illegible] that we should certainly require a much larger [illegible] directorate, and so forth. In addition, we had [illegible] which was [illegible] Koweit, and we should require that he should be secured in his *status quo*, in fact in home rule. M. Cambon told me that Djevad Bey was quite alive to the fact the [illegible] quite satisfactory with regard to the *status quo* and home rule for the Sheikh of Koweit, saying that the Turks would not disturb the sheikh. But he had explained that the railway must end in an Ottoman port, because the company would be Ott[illegible] and there would have to be Ottoman customs officials and police along the l[illegible] forth. M. Cambon considered that all this pointed to [illegible]

I thanked him for telling me what Djevad Bey had said, [illegible] as in conducting the negotiations. One essential point, which w[illegible] that whatever arrangement was come to, the position of the Sheikh of Koweit must not be worse than at present. This was an obligation of honour for [illegible]

I am, &c.

E. GREY

9841] No. 164.

Edward Grey to Sir G. Buchanan

No. 78.)

Sir, *Foreign Office, March 14, 1911*

COUNT BENCKENDORFF reminded me to-day that the Russian Government had expressed sympathy with the Trans-Persian railway proposal, and had said that they could not express a more definite opinion before having a project put before them by a "Comité d'Etudes," and Count Benckendorff pressed me as to whether the British [illegible]

I asked whether the "Comité d'Etudes" would expect a guarantee.

Count Benckendorff replied that the idea was that the Russian Government should [illegible] promise them the profit on the transit through Russia of all goods for the T[illegible] Persian railway. This railway would bring increased traffic to the Russian lines in Russia, and the profit on this increase would amount to about 1,500,000 roubles a-year. This was something to beg[illegible]

I observed that, since M. Saxonow had been so positive that no guarantee could be given by the Russian Government for any Persian railway, I had assumed that the project could not make much progress. But, nevertheless, we had lost no time in communicating with the Government of India. I would now look into what had passed, and let him have a reply.

He reminded me that the Emperor took great interest in the question [illegible]

I am, &c.

E. GREY

[illegible] Grey to Sir G. Buchanan

(No. [illegible])

Sir, *Foreign Office, March 14, 1911.*

I [illegible] Count Benckendorff to-day, very confidentially, the same information as to the Bagdad Railway and Persian railways as I had just given to M. Cambon, which I have recorded in my despatch No. 89 to Sir F. Bertie.

I am, &c.

E. GREY

[9557] No. 165.

Extract from the "Morning Post" of March 15, 1911.—(Received at Foreign Office, March 1[illegible])

BAGDAD RAILWAY QUESTION.—FRENCH GOVERNMENT'S ATTITUDE.

From a French Correspondent.

THE attitude of the French Government towards the Bagdad Rail[illegible] cannot be thoroughly understood without a short historical retrospe[illegible] [illegible] et until the year 1902, French policy in respect of the Bagdad scheme [illegible] The idea of connecting Asia Minor with the Persian Gulf, which [illegible] W. von Pressel launched in 1871, could not appeal to F[illegible] since all the previous English or French schemes had always [illegible] of the Persian Gulf and of Mesopotamia with the [illegible] Owing to the importance of French settl[illegible] [illegible] northern Bagdad Railway recommended i[illegible] would have suited France much better than the Ge[illegible] selves would, for strategic [illegible] glish [illegible] their main wish being to connect Constantinople with the remotest parts of their Empire. Therefore the French Government never offered a blind opposition t[illegible] [illegible]ruse. Curiously enough, it was a French company, the Compagnie Fives-Lille which constructed the first line from Haidar Pacha to Ismid in 1871–73.

A new situation arose, however, when a German company secured in 1888 the concession from Ismid to Angora with the promise of an ulterior extension towards Bagdad. With a little more energy it was generally thought at the time that France [illegible] cured the concession for herself. But now the Deutsche Bank had the way and meant business. In 1893 the German rails reached Angora, and the Anatolian company secured two more concessions—one from Angora to Kaisareh, which was [illegible] h to south the route to be followed by the future [illegible] was thereby offered to French interests. First of all, the French lin[illegible] were shut out from any extension towards the east or the south. Such w[illegible] with the line from Mudania to Brusa, and later on with the Smyrna-Kassaba line, after the latter had been bought by French financiers from an English [illegible] second place, the Bagdad line was to take the Syrian route instead of crossing the Kurdistan; it was bound to injure the Mersina-Adana line, worked by an Anglo-[illegible] ight prevent any further extension of the French lines in Syria.

Had England joined hands with France at that moment it might have been possible to interfere in an efficient way with the somewhat ambitious schemes of the Germans. Unfortunately, this was not the case. The French Ambassador in Constantinople (then M. Paul Cambon) had to act alone. He therefore confined himself to asking for [illegible] compensation. Owing to his successful efforts France secured not only the [illegible] Damascus to Aleppo, including any future line which might connect that [illegible] with the coast, but she [illegible] the Damascus-Aleppo line as far north as Birejik. Had the French financiers taken advantage of that very [illegible] concession they would have found themselves in an exceptionally strong po[illegible] [illegible] French railway already in operation. It was not the French Ambassador's fault that

the construction of the Aleppo-Biredjik Railway was not pushed in time, and that the German company easily managed to take over that part of the concession in 1903.

It was only in 1902 that the policy of the French Government, in view of the imminent agreement between the Turks and the Anatolian company, over the Bagdad line, became definite. Nobody failed to perceive then that a misunderstanding had arisen between the French Foreign Office and the representatives of French interests in Constantinople. Since 1897, when an agreement had been arrived at between the Anatolian company and the French directors of the Smyrna-Kassaba line (which had [illegible] had made up their mind to have a share in the Konieh-Bagdad line, they had taken part in the Turco-German negotiations of 1899, and the Ottoman Bank was to keep for itself at first 40 per cent., ultimately 30 per cent., of the capital in the new enterprise. According to M. André Chéradame, the French Ambassador, M. Constans, had gone so far as to promote French participation in the Bagdad affair without consulting his colleagues in Paris. On the 24th March, 1902, M. Delcassé, then Minister for Foreign Affairs, declared, however, that French participation in the Bagdad Railway would only be possible if two conditions were fulfilled: (1) the Russians must be allowed to take part in the enterprise, (2) the French must have in the construction, the working and the direction of the enterprise "a part strictly equal to that of the most favoured foreign nation."

Participation of French Finance

There is, of course, no object in concealing the fact that a large [illegible] agreement did not follow M. Delcassé's lead. When the Bagdad Railway [illegible] constituted on the 5th March, 1903, French participation amounted to 30 per cent., although the Council of Administration contained 14 Germans as against 8 French [illegible], 2 Swiss, 1 Austrian, and 1 Italian. This is not all. The Bagdad company has always found a strong support amongst the Parisian bankers, and [illegible] to believe that the transformation of the Ottoman Debt in 1904 would have been a very difficult operation to perform had not M. Rouvier (who was Minister [illegible], and is still the head of a large French bank) backed up the [illegible] some French [illegible] December 1909. A few months before a syndicate had been formed in Glasgow [illegible] object of constructing the section of the Bagdad line which extends from Bulgurlu to El Helif; it has been promoted by the Ottoman Bank in order to give effect to its participation in the railway, and included four French members. Questioned in the French Chamber on the 27th December, M. Pichon emphatically denied that the French Government had withdrawn its opposition to the scheme [illegible] mentioned by his predecessor, M. Delcassé: he now added a third one: England ought to be allowed to participate in the enterprise as well as Russia and France. On one [illegible] he said, "we have always held the view that, if a call were to be made upon [illegible] financial credit, we ought, as far as possible, to act in the sense of the [illegible] attitude on of the Ligue, and it is in view we continue to hold."

[illegible] Delcassé's celebrated speech has been the [illegible] to watch the negotiations which [illegible] may rest assured that I have not failed to confer with the British [illegible], as well as with the Russian Government, on this question, and I have not failed to discuss it with the Germans when they meet and the matter to me. In a word, we have not ceased to look for the possible settlement of this important question on an equitable co-operation on the part of the various States concerned in the enterprise, on the basis of a share for ourselves equal to that of the most favoured among the States." Lastly, M. Pichon declared on the 16th January [illegible] Potsdam negotiations he did not intend to depart from the policy already [illegible]. This means that the Bagdad Railway Company [illegible] unless M. Crappe should take a different line [illegible] excluded from the Paris Bourse until further notice.

Has that negative policy come to stay? Will M. Delcassé's declarations hold good for ever, or is there any prospect of a compromise which might put an end to the present deadlock? Had France only to consult her own interests there is not [illegible] doubt that she would soon come back to her policy of the [illegible] looking simply for a proper compensation in some other part of Turkey [illegible] very difficult to see for what economic or political reasons the French Government

should in that case object to the quotation of the Bagdad Railway on the Paris Stock Exchange.

M. André Chéradame wrote seven or eight years ago that the Bagdad enterprise was bound to do much harm to French economic interests in Turkey. One cannot help thinking that he overstated his case. French interests in the Ottoman Empire are of course very considerable: according to M. Chéradame's estimate, French investments in Turkey amounted in 1902 to about 80,000,000*l*. A more recent estimate published [illegible] showed that those investments had gone up in six or seven years to nearly [illegible] 000,000*l*. and British interests of about 30,000,000*l*. But out of those 100,000,000*l*., 60,000,000*l*. are invested in State funds; they are not likely to suffer from the construction of the [illegible] Railway any more than the 4,000,000*l*. invested in land and real property [illegible] 500,000*l*. invested in banks and credit institutes, or the 2,500,000*l*. invested in [illegible]es and industrial enterprises. As far as the railways are concerned (15,000,000*l*.) it is a well established fact that since the Bagdad company bought the Aleppo-Biredjik [illegible] 1903 and the Mersina-Adana line in 1906, it is not likely to interfere with the important French lines which are all located in Syria [illegible] interests may, as a result of the new enterprise, follow in S[illegible] extension which would endanger the prosperity of some French comm[illegible] [illegible]ses to change their antiquated [illegible] [illegible]w, it is equally difficult to justify a policy of [illegible] [illegible]ments were silly enough [illegible] [illegible] the Ottoman. [illegible] it seems rather unlikely that the Bagdad [illegible] far as the general management is concerned, which is [illegible] [illegible]d has undertaken not to bring a single German colonist to Turkey, which depends upon the good will of the Turks as well as upon non-German investors, will do much more for Germany than other lines have done for France or England. At any rate France has very few political interests outside Syria, and cannot be very much afraid of a line which is only touching Syria's borders. As for the constitution of the company, it has nothing in itself which should prevent the admission of the Bagdad Railway on the Paris Bourse: there are indeed a great number of companies which have free access to the Paris market, in spite of the fact that their French shareholders are not properly represented on the board of direct[illegible]

International Considerations

The French Government has, therefore, no vital reason, as far as France herself is concerned, to insist on the conditions laid down by M. Delcassé. But other considerations of an equally imperative nature are preventing the French Foreign Office from settling at once its differences with the Bagdad Railway Company. It is almost an open secret that M. Delcassé took up the position of 1902 in order to please Russia, who strongly objected to the building of the new line. Curiously enough the Russian Press had started a campaign against French participation in the scheme in January, 1902, two months before the famous declarations made in the French Parliament. The [illegible] an article written by M. Pouchkine, went as far as to hint that [illegible] the Franco-Russian Alliance largely depended upon the attitude [illegible] journey interfered in the same way. In [illegible] Russia's side in a question which was to her of a greater interest than to France [illegible] recent moment Russia seems, of course, inclined to take another view of the Bagdad Railway. But even if she ceases to oppose the scheme France is not prepared to follow [illegible] as she is satisfied that she can do so without hurting English interests. [illegible] important feature of the present situation, and it would be a great pity if English opinion were not aware that to-day French policy is entirely directed in the Bagdad question by the Anglo-French understanding. It is, of course, a sad fact that up to now the co-operation of French and English private interests in Constantinople has been very imperfect. On the British side the complaint has justly been made that French financiers have too often chose to increase their personal profits by joining hands with England's opponents. French financiers retort that the representatives of British [illegible] to have several times acted against France; for instance, when the British [illegible] campaign instituted against the Société [illegible] financiers tried to secure the concession of the

Tripoli line, which had already been promised to France. The last Turkish loan [illegible] when the Ottoman Bank and the National Bank stood [illegible]

people say that in Constantinople the *entente cordiale* was nothing but a name. But [illegible] between a few individuals' interests—there are indeed [illegible] the policy of both Governments. When M. [illegible] Parliament a month ago that the *entente* between the [illegible] Office had never been stronger, his declarations, [illegible] process meaning. Exactly as England's diplomacy supported France [illegible] affair so the French Government has promised not to settle the [illegible]

but as England's interests are much more vitally concerned with the Bagdad question [illegible] There [illegible] since the solution of the Bagdad question is to be [illegible]

British Ambassador in Constantinople suggest that that English solution may be [illegible] in the very near future. As in 1909, when our England's advice the French Foreign Office asked from the Turks the concession of a line from Homs to Bagdad, conversations of an analogous kind are just taking place between the French and the Turkish Governments. It is too soon to make a forecast of what will be the Anglo-Turkish [illegible] and regarding Mesopotamia and Koweit or to say whether the French Foreign Office will look for compensation in Albania, in North Anatolia, or anywhere else. One thing, however, is already certain. Whatever the future may have in store the French Government will look at the Bagdad question from a British as well as from a French point of view and support British claims in Mesopot[illegible] diplomacy but what is perhaps more efficient in the present case, with the financial power at its disposal.

9590 No. 167

Sir E. Goschen to Sir Edward Grey.—(Received March 16.)

No. 67.)

Sir,

Berlin, March 11, 1911.

WITH reference to my despatch No. 65 of the 10th March, 1911, relating to the Bagdad Railway question, I have the honour to report that the [illegible] Allgemeine Zeitung,' after referring in appreciative to [illegible] recent statement in the House of Commons goes on to make the following observations with regard to Koweit and to the proposed 4 per cent. increase in the Turkish customs:—

"Quite apart from the question of the proposed increase of Turkish customs dues, and the possible application of a surplus yield of duties to a kilometric guarantee on the Bagdad Railway. Nevertheless, we believe that in this question too, it will be possible to arrive at an understanding which shall [illegible] the wishes of Turkey and also [illegible] account English interests. In the concluding part of his speech, Sir Edward Grey reviewed the much discussed question of the relation of Koweit on the Persian Gulf to the Ottoman Empire. This is a matter which demands in the first place discussions with Turkey on questions of international law. We therefore prefer not to examine this point too closely, especially as it is not necessarily bound up with the question of the construction of the line down to the shores of the Gulf.

The "Norddeutsche" concludes in conclusion that your statement on the Bagdad Railway question signals a great advance on previous British methods, which had not always been free from a certain flavour of chicanery in the matter of this particular German enterprise, "which was destined to strengthen Turkey not only politically, but also commercially, and thereby benefit the whole civilised world."

I have, &c.

W. E. GOSCHEN.

[7880] No. 168

Foreign Office to India Office.

(Secret and Immediate.)

Sir,

Foreign Office, March 11, [illegible]

I AM directed by Secretary Sir E. Grey to acknowledge the receipt of your [illegible] the 3rd instant, containing the detailed observations of the Secretary of State for India on the Viceroy's telegram of the 23rd February respecting the position at Koweit, and I am further to acknowledge the receipt of copies of two telegrams dated the 7th March, from the Viceroy on the subject of railway projects in Mesopotamia and south-west Persia.

With regard to a possible modification of the *status* of Koweit, I am to inform you that Sir E. Grey is in substantial agreement with the views of the [illegible] stated in your letter of the 3rd March, with the exception of the [illegible] enumerate, viz., that 55 per cent. of capital and control in the Bagdad Koweit section of the Bagdad Railway would be inadequate as a share for this country.

With regard to this suggestion, I am to point out that on the 21st May, 1910, Sir E. Grey wrote a letter to Sir H. Babington-Smith, in which the following passage occurs:—

> I think that the British share should be 55 per cent., and that we should construct the harbour at Koweit and have a large sho[illegible]

A copy of this letter was enclosed in the memorandum handed to the Ottoman Minister of Finance on the 29th July 1910, and, in the same memorandum, certain [illegible]

Sir E. Grey is of o[illegible] what they have already stated to the Ottoman Government, and th[illegible] pital and control would be the *maximum* share which they could now [illegible] on were one of internationalisation under the concession of 1903.

[illegible] the terms of the written proposals of the Turkish Government, enclosed in Sir G. Lowther's despatch No. 139 of the 1st March (of which a copy is transmitted herewith), it would appear that what is contemplated by the Sublime Porte is that the 1903 convention, in so far as it applies to the sections in question, should be cancelled and that another arrangement should be substituted. It is, of course, clear that the consideration of these proposals must be largely dependent upon whether or not they have the concurrence of the German Government and, both from the failure of Sir G. Lowther to elicit any precise and definite information on the point, and from [illegible] which have appeared in the German press, it would seem that such is not indeed the case. Be this as it may, Sir E. Grey is of opinion that the attitude of His Majesty's Government in regard to the proposals now made should be [illegible] fully considered in all its bearings, with a view to sending a reasoned reply to the [illegible] Government without undue delay.

It is therefore essential to enquire whether, on the interests of British trade or on other grounds, a preponderating share of capital and control is a condition *sine qua non* of British participation in the enterprise. If a settlement on the lines desired should prove attainable in regard to Koweit, and if the 1903 concession is to be cancelled in so far as concerns the railway *beyond* Bagdad, and a formal international agreement substituted such agreement stipulating, *inter alia*, that differential tariffs are absolutely excluded, and that the whole management of the line shall be conducted on approved methods, is it indispensable that British control, either in share-capital or [illegible] Board, should be preponderating? Is it not possible that German [illegible] as concerns equality of treatment for British merchandise, could be [illegible] by stipulating in the contemplated international agreement or bilateral contract that British assent to the desired increase in the customs is conditional upon the continued fulfilment of certain obligations by Turkey, and that default on her part would, *ipso facto*, determine the period of British assent to the enhanced custom tariff? Even if His Majesty's Government were to hesitate to exercise such a power, the knowledge that they possessed it would undoubtedly exercise a salutary effect, [illegible] on the analogy of the 3 per cent. customs increase, agreed to for seven years in 1[illegible] ought be provided that the 4 per cent. increase should be levied for only a fixed [illegible] tenance for a further period would depend upon whether or not the Ottoman Government had fulfilled all obligations as to the exclusion of manipulation of rates.

If it is considered desirable that agreement should be reached as to British participation in the enterprise, it is important not to forego such participation on adequate grounds. Sir E. Grey does not desire to express a final opinion [illegible] expediency of such participation until he has been further acquainted [illegible] of the Secretary of State for India and of the Board of Trade.

But, in the meantime, I am to place before you certain considerations [illegible] and against British participation in a degree which is not presumed [illegible] assumption in both contingencies being that satisfactory [illegible] indicated, can be reached in regard to [illegible] His Majesty's Government [illegible]

It may be urged that, in the absence of a definite agreement, conflicting interests of different nationalities in the Mesopotamian delta are likely to become more and not less acute as time goes on; that French financial interests [illegible] restive at the prospect of French participation in the enterprise being postponed indefinitely; that in any case the Bagdad Railway will ultimately be completed; that the position of the Central Government in Turkey will then be consolidated and the Turkish power of aggression against Koweit correspondingly increased; that [illegible] Turkish Government are not now conciliated, the fulfilment of British treaty obligations towards the Sheikh of Koweit will become more onerous and difficult, while the protection of the Sheikh's date plantations in Turkish territory, whence he derives his principal revenue, will be a source of increasing friction and annoyance; and that British prestige would suffer, to the detriment of British commercial interests, if Great Britain had no share in the construction of the sections of the railway between Bagdad and the Persian Gulf.

On the other hand, it may be urged that it is perhaps to the advantage of British interests that the advent of the railway towards the Gulf should be postponed as long as possible, that the progress of the railway has hitherto been slow, and that time may elapse before it reaches completion; that without the additional [illegible] British co-operation in those half-civilised regions the bonds of the railway company are not likely to find a ready market in the future any more than is believed to have been the case in the past; that, without British participation, the railway would probably stop at Bussorah, thus eliminating questions of some complexity as to jurisdiction and similar matters which might arise if the terminus were at Koweit [illegible] would almost be necessary to institute a British [illegible] that, apart altogether from an arrangement to secure British participation in the railway, the differences with Turkey in regard to Koweit and the littoral of the Persian Gulf might be adjusted as a condition of British assent to the customs increase [illegible] the continuance of the 3 per cent. increase on its expiry in April 1914; that [illegible] regard to the general nature of British rights under the Capitulations, [illegible] Government could not improbably prevent the manipulation of tariff rates as against British trade, though this is a technical matter as to which the advice of the Board of Trade is being requested; and that the large volume of British trade (estimated at nearly one million sterling a year) which now passes into western Persia by way of Bagdad, might be diverted to a less circuitous route, and thereby be protected against adverse treatment, if a concession were obtained for a railway from Khor Musa and Mohammerah to Khorremabad.

Sir E. Grey feels that the question of British participation in the Gulf sections of the Bagdad Railway without control is one which must be judged on its merits and apart from the general effect of non-participation on the international situation. If it were decided that, on the whole, it was not worth the while of His Majesty's Government to encourage British capital to participate in the railway without control, but that British opposition to the enterprise would be withdrawn when a satisfactory arrangement had been concluded as to questions at issue between Great Britain and Turkey on the littoral of the Persian Gulf, no foreign country would then have cause of complaint in regard to the British attitude.

If, on the other hand, it is considered desirable that Great Britain should participate, it will be necessary to decide whether it would be to their advantage to obtain a large or a small share in the undertaking; what steps should be taken to secure the retention of this share in British hands; and whether a Representative of His Majesty's Government should have a seat on the Board.

Sir E. Grey would be glad to have the views of the Secretary of State for India [illegible] points.

The question of the kilometric guarantees is not alluded to in this letter, as it can well be reserved for subsequent consideration.

I am to express Sir E. Grey's full concurrence in the importance of avoiding any admissions with regard to the *status* of Koweit that may be used to our detriment should the present negotiations with Turkey prove abortive; and, for this reason, he is anxious that the reply to the Turkish proposals should be drawn up in close consultation with your Department.

Before leaving the subject of Koweit, I am to advert to the view expressed by the Marquess of Lansdowne, in his memorandum of the 21st March, 1902, that the British [illegible] gation to protect could not be interpreted as extending beyond Koweit "proper" [illegible] claims to Warba and Bubiyan might be upheld if it is really desirable to do so, he thinks that those claims could hardly be sustained with regard to Um Kasr, and [illegible] Koweit proper (Bunder Schwaikh) the importance of Warba, Bubiyan and Um Kasr is largely reduced. In any case, if an agreement with Turkey is reached, it will be desirable to define precisely the limits of Koweit territory in order to avoid future friction, and I am to suggest that, with a view to expedition, it might be desirable for [illegible] Government of India to be consulted by telegraph in regard to those limits.

With reference to the concluding paragraph of your letter, I am to draw your [illegible] Ottoman Government to define the position of [illegible] Powers in the [illegible] clearly satisfactory.

Finally I am to express Sir E. Grey's opinion that it is extremely desirable, if only for tactical reasons, to obtain a concession for a line from Khor Musa and Mohammerah to Khorremabad, especially as the concession need not involve [illegible] than an option to construct.

I am, &c.
LOUIS MALLET

7880) No. 169

Foreign Office to Board of Trade

[illegible]

I AM directed by Secretary Sir Edward Grey to transmit to you, to be laid before the Board of Trade, the accompanying copies of correspondence between the [illegible] and the India Office on the subject of railway construction in Mesopotamia [illegible], in South West Persia.*

Copies of the papers referred to in that correspondence are enclosed herewith.

Sir Edward Grey would be glad to be furnished with the detailed observations of the Board of Trade in regard to the points raised in this correspondence in so far as they affect British trade; in particular he would like information as to whether British-Indian trade would be adversely affected by the imposition of higher transit [illegible] towards the Persian Gulf than on goods going in the opposite [illegible] I am to draw the special attention of the Board to [illegible] "charges," and to invite comment as to how far [illegible] in their operation upon British trade [illegible] it is important to consider what steps could be [illegible] in of inter- [illegible] lisation were arranged for the Gulf sections of [illegible] not allow a preferential control in capital and [illegible] from this department to the India Office, and before forming a final opinion on the matter, Sir Edward Grey would be glad of the technical and detailed advice of the Board of Trade. He would also welcome any further criticism on the proposals now made by the Turkish Government (see Sir G. Lowther's despatch No. 131 of the 1st March).

I am, &c.
W. LANGLEY

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* See, 152, 153, 134, 136, 142, 147 and 165; "Times" Extract, March 6, 1911; see also Bagdad

[9732] No. 170

Sir G. Lowther to Sir Edward Grey.—(Received March 17)

(No. 150.)

Sir, *Constantinople, March* 10, 1911

I HAVE the honour to transmit herewith the translation of a speech delivered the 6th instant in reply to the criticisms of Ismail Kemal Bey by the Grand Vizier the subject of the liabilities of the Ottoman Government towards the Bagdad Railway Company.

You will observe that his Highness stated that, apart from the convent[illegible] the company had a claim upon the excess revenues of the customs under the firman granting the concession, but that when the 3 per cent. increase was obtained, the company abandoned that claim. Now, when there was a question of obtaining [illegible]rease of 4 per cent. the same question presented itself.

Before transmitting to you the text of the speech, I thought it well to [illegible] his Highness whether he had been properly reported, and invited him to inform me which was the firman that granted those revenues as guarantees.

At first his Highness was disposed to say that he could not carry the complicated [illegible]tails of the habitudes of the Ottoman Government in his head, but, after [illegible] pressure on my part, he stated that it was not a firman, but the convention of 1908 [illegible] set aside as a guarantee the excess revenues of the debt. I said I could [illegible] that interpretation, and then read him the article of t[illegible] point, showing him th[illegible] were only set [illegible] [illegible]tained to accept this view, and insisted st[illegible] [illegible]dad" meant the whole railway.

I insert here the paragraph referred to:

[illegible], faisant suite à la convention du 29 février, 1318 [illegible]

[illegible]nt Impérial a décidé de prolonger la ligne de Bagdad depuis Boulgourlou jusqu'à la localité dite Helif, située aux abords de Medine, et de construire un embranchement de Tel Habesch à Alep. La longueur de cette ligne et de l'embranchement est d'environ 840 k[illegible]

"L'excédent des revenus concédés à la Dette publique ayant été affecté au prolongement de la ligne de Bagdad, la garantie pour ces 840 kilom. de ligne sera payée sur les excédents des revenus concédés à la Dette publique à raison de 11,000 fr. par kilomètre, en conformité de l'article 35 de la Convention de Bagdad.

[illegible] quite unable to move his Highness on this point, although I [illegible] year (as reported in my despatch No. 276, Secret, of the [illegible] May) the point of view of the Ottoman Government was that they were only bound by a moral and not a legal obligation to the continuation of the line. Hakki Pasha was quite unable to explain how, if he relied on the 1908 convention, it had [illegible] stated in his speech, been necessary to obtain from the railway an abandonment [illegible] their claim to the 3 per cent. surtax. The enigma may, however, be explained by the enclosures in this embassy's despatch No. 18 of the 8th February, 1909. Finally, his Highness said that the argument was not an important one, as there was no question of the 4 per cent. surtax being required for the construction of the Haif Bagdad section. This, of course, is true, but only because Turkey is providing for extraordinary expenditure out of loans.

I then explained to his Highness again at length that our consent to the [illegible] of the 4 per cent. was dependent not only on the abandonment of the claim of the 1 per cent. by the Bagdad Railway, but to a general settlement of the railway questions which would not interfere with our existing rights in those regions, and, I added, that to avoid any misunderstanding I would place our views again on paper for Rifaat Pasha.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 170.

Extract from the "Turquie" of March 6, 1911.

LES DÉCLARATIONS DU GRAND VIZIR.

HAKKI PACHA, montant à la tribune, fait d'abord observer qu'il ne croit [illegible] trente ans. "Ismail Kemal Bey dit qu'un concessionnaire avait demandé à construire le Chemin de Fer de Bagdad sans garantie kilométrique et qu'Abdul Hamid n'a [illegible] accepté avant préférer accorder la concession aux Allemands. Cela, assurément, [illegible] points du discours de Kemal Bey sur les inconvénients des concessions avec garantie kilométrique et le Chemin de Fer de Bagdad.

Le Grand Vizir parle longuement des profits que retirent les pays les chemins de [illegible] "Étrangers, peut-être," dit-il, "mais je ne vois aucune condition comme nuisible [illegible] l'agit de doter le pays d'une voie ferrée. "Cela," dit-il, "ne signifie pas qu'il [illegible] gher à toutes les exigences des concessionnaires, mais je puis assurer que notre pays n'a pas subi des pertes du fait des garanties kilométriques.

"Il [illegible] pas, et je ne me trompe pas, à cause de la famine en Anatolie [illegible]

Pendant les deux années suivantes les envois de céréales continuent. Mais [illegible] l'exportation a commencé, et dans un an une somme de 4,000,000 de livres est entrée au vilayet d'Angora pour les marchandises exportées. En général, personne ne peut pas nier que les chemins de fer et les moyens de communication en général contribuent à l'augmentation des recettes de l'État. Sous le règne d'Abdul Aziz cet Empire était [illegible] étendu. Mais aujourd'hui, après la perte de la Bulgarie, de la Roumélie orientale, [illegible] Bosnie et de l'Herzégovine, les recettes de l'État sont supérieures de [illegible] [illegible]ment sous le règne d'Abdul Aziz.

LE CHEMIN DE FER DE BAGDAD.

[illegible] nous trouvons devant [illegible] vous savez, d'après le firman de la concession de cette ligne ferrée les [illegible] douanières et celui d'une surtaxe dont elle affecté à la construction [illegible] la surtaxe de 3 pour cent à l'application des réformes dans les vilayets, comme toutes la société a renoncé au droit que lui accordait [illegible] et c'est pour cette raison que l'augmentation n'a pas encore abouti.

"Si l'on nous concède le 4 pour cent, la Compagnie du Chemin de Fer de Bagdad a le droit de demander que l'excédent des recettes soit affecté au prolongement de la ligne. Regardez la convention.

Ismail Kemal Bey. Contractons une nouvelle [illegible]

Le Grand Vizir. Si nous déchirons les conventions existantes je [illegible] [illegible] a des lacer offensivement à cette tribune que nous [illegible] nous respectons les conventions existantes. L'État ne peut [illegible] à ses engagements. Peut-être s'est-il trompé, mais cela seulement lui [illegible] leçon. D'ailleurs, comment nous pourrions-dire à la société que nous ne voulons pas de [illegible]ement? Cela équivaudrait à la résiliation d'un accord existant!

[illegible]ntre, je ne comprends pas la raison d'arrêter la voie ferrée à Haïf et de ne pas relier la capitale avec la ville de Bagdad. Est-ce pour ne pas payer annuellement la somme insignifiante de £T 300,000 qu'on n'en veut pas, quand il s'agit du [illegible] son royaume des Abassides et la Mésopotamie, qui nourrissait jadis [illegible] construction, et il reste, jusqu'à Bagdad, 600 kilom. Moi, j'insiste pour la prolongation et je crois que la Chambre m'approuve." ("Oui.")

Ismail Kemal Bey. Et au delà de Bagdad, que ferez-vous?

Hakki Pacha. Si le Cabinet ne trouve pas une combinaison profitable à l'État, il n'acceptera pas la prolongation au delà de Bagdad. Vous verrez que nous ne voulons tromper personne, et nous n'avons aucun autre but que l'ottomanisme, et je suis sûr qu'ainsi une entente est possible. (Applaudissements prolongés.)

MM. Timiriazeff and Zwegintzow to Mr. Jackson.—(Communicated by Mr [illegible] March 17.)

Dear Sir,

March 10, 1911

THE last time we were in London at our meeting with you on the 2nd December [illegible] Persian railway up to time, when, after we had positive indications that both Governments, as well as that of India, were not hostile to the project, a new meeting would be found opportune.

In pursuance of that object the Russian consortium, parallel to studying the detai[illegible] would be its attitude towards the project.

At present we are able to inform you of the official answer of our Gover[illegible] weeks ago, our chairman, Engineer Bunge, received the document signed by the clerk of the Cabinet, but very much later.

That gentleman, a[illegible] the Cabi[illegible] as to the details they will have to be [illegible] d'Etudes shall have submitted th[illegible] [illegible] which tend to [illegible] would oblige the Russian [illegible] received in Moscow. For instance, M. Gostchoff, the Lord Mayor of Moscow [illegible] [illegible] the President of the Board of [illegible] to call a meeting on the purpose of investigating to what extent the Russian commercial interests might be impaired by the construction of railways in [illegible] and the results were reported to the Cabinet by M. Tim[illegible]

The Cabinet, after mature deliberation of this report, pronounced itself, as above mentioned, favourable to the project.

It is perfectly evident that in its official answer, addressed to the promoters of the enterprise, the Cabinet could not give more substantial promises, and had to put back all details to the time when a Société d'Etudes would be able to submit a scheme [illegible] on sound bases. But in conversations with Messrs. Bunge and Petchcovsky [illegible] Minister of Finance admitted that he saw no drawbacks to allotting the surplus o[illegible] Persian railway system to and from India to a special fund that might serve as a guarantee to the debentures of the new line.

You would most kindly oblige us by forwarding informations as to how the proje[illegible] [illegible] to come to terms and review [illegible] informations.

I have, &c.,

[illegible]

[9729] No. 172

Sir V. Corbett to Sir Edward Grey.—(Received March 17.)

(No. 98.)

Sir,

Munich, March 14, 1911

WHEN the first reports of your speech in Parliament on the Bagdad Ra[illegible] question were received in Germany, it was generally hailed by the press [illegible]

[illegible] Zeitung" [illegible] reservation, he greeted as highly g[illegible] was quoted with approval in most of the South German papers.

Since then your treatment of the question of the Turkish tariff and [illegible] relations to Koweit, and the leading article in the "Times" on the latter subject, have [illegible] made the subject of more critical commentary. Most of the papers here only [illegible] from the Berlin press generally arguing that Koweit is Turkish [illegible] and that our rights there are in the nature only of claims and not established [illegible] but the "Frankfurter Zeitung" devotes a good deal of space to the subject which it discusses on its own account.

In its issue of the 10th instant, after praising your treatment of the relations [illegible] the Bagdad Company by putting them on the solid basis of existing facts, the writer goes on to say that as regards the tariff it may be supposed that the British Government did not propose to put pressure on Turkey in the matter of the railway, but rather that they would not withhold their consent to the raising of the tariff as soon as they were convinced that the extra revenue would not be used for [illegible] ther railway construction. There were hopes that you would soon receive the desired assurance. The Turkish Minister of Finance had explained in his budget [illegible] negotiating with the Bagdad Railway Company about [illegible] the line on the understanding that the [illegible] revenue produced by the [illegible]

The writer thought himself safe in saying that the compa[illegible] [illegible] of the Government in this respect, and that in this case you would keep [illegible] and no longer withhold from Turkey a financial resource so necessary to her if she was to succeed in her difficult tasks. There was a certain obscurity, he added, due perhaps to the deficiencies of the telegraphic message, in the report of the last part of your speech; you spoke of the possibility of the line passing out of Turkish territory, [illegible] the *status quo* which had been endangered by others. But it was difficult to understand what you had meant by your allusions to the obligations of England to the Sheikh of Koweit. England and Turkey held different views on the position of Koweit, and it was natural for an English Foreign Minister to support the views of his countrymen. A compromise between the two Powers was presumably possible, particularly seeing that you had not identified yourself with the theory, so often repeated by the English press, that Koweit was an English protectorate. If England had really only the desire to fulfil certain obligations towards the sheikh, a way out of the difficulty might be found which would not violate the Turkish rights of sovereignty.

[illegible] Railway was concerned, it might be observed that the name [illegible] occur in the concession. The company was entitled [illegible] line from Zobeir in the neighbourhood of Bussorah to some point on the P[illegible] to be decided on between the Imperial Government and the holders of the concession. In [illegible] the harbour of Koweit, however many advantages it might have, was not [illegible]

I have, &c.

VINCENT CORBETT

9999 No. 173

Sir G. Lowther to Sir Edward Grey. (Received March 18.)

(No. 62.)

(Telegraphic.) P[illegible]

Constantinople, March 18, 1911

BAGDAD Railway.

[illegible] y despatch No. 100 of the 14th February, the Minister for [illegible] me that the Turkish Government were on the point of signing [illegible] completion of the Halif Bagdad section on the following lines, having come to terms with the Bagdad Railway Co[illegible]

[illegible] pany abandons right to build Bagdad to Persian Gulf section with proviso that [illegible] foreign Power shall have a larger share than Germany in the company to be formed for its construction.

Company to construct port at Alexandretta and build branch line to Osmaniet without kilometric guarantees. Company abandons all claim to proceeds of 4 per c[illegible] [illegible] spolies, &c., and the surplus of revenues now assigned for the sections up to Halif to suffice for the section to Bagdad (see my despatch No. 134 of the 28th February

As the convention involved no fresh demand on the Treasury, his Excellency added, the convention would not require to be submitted to the Chamber. This is a straining, if not a contravention, of the Concession Law, inasmuch as it amounts to accepting the German interpretation of the convention of 1908 (see my [illegible] the 10th March)

9984 No. 174

Sir G. Buchanan to Sir Edward Grey.—(Received March 19.)

[illegible]

St. Petersburgh, March 12, 1911

[illegible] SIAN railways

[illegible] gram No. 87 of the 14th March. I had a conversation to-day with M. Stolypin, and left with him a memorandum on the subject of the Mohammerah Khoremabad railway project. I had already discussed the question a few days ago with the Assistant Minister of Foreign Affairs, who had prepared M. Stolypin for what I had to say.

M. Stolypin began by saying that Russia had no legal grounds for protesting against the scheme, since the proposed line would run through the neutral zone, but [illegible] nevertheless, the scheme was one to which she strongly objected. A protest would [illegible] of Moscow, who would attack the Government for [illegible] to be brought right up to the Russian sphere by rail, and [illegible] action in constructing this line was an ill-natured [illegible] expected from a [illegible]

I replied by reminding M. Stolypin that we did not like the [illegible] Bagdad Railway with the North Persian railway system, and yet, when M. [illegible] had explained to us the reasons which rendered Russia's consent to [illegible] trusted that Russia would now show no less regard for our interests. The state of public feeling in England with regard to these railways had been manifested in the recent debate in the House of Commons on the subject, and if we were to be able to compete with Germany on equal terms the construction of the line now under [illegible] was essential to us. If this line were not constructed, Germany would be in [illegible] differentiate against British goods on both the Bagdad and Khanikin lines [illegible] possible that Russia should contemplate shutting out British trade from W[illegible]ran, while she was opening that region to the Germans.

[illegible]ce of my arguments was admitted by M. Stolypin, but at the same time [illegible]ney was obviously preoccupied by anticipations of the opposition which the realisation of the Mohammerah Khoremabad scheme is likely to arouse in Russia. He asked me whether the British goods imported into Persia were of the same nature as those imported from Russia. I repeated my former statement, that our only desire at present was to obtain an option for the construction of this railway, and that, before proceeding with the actual work, we would thoroughly discuss all questions of the [illegible]ciated with the Russian Government. M. Stolypin then said that his [illegible] illness of M. Sazonow, but that he hoped that [illegible] May the latter would be well enough to proceed to England.

[illegible] Stolypin to consent to our asking the Persian Government at once for [illegible], while postponing discussion of the details of the scheme till M. Sazonow was well enough to do business with me or to proceed to London to talk the [illegible] with you there.

In conclusion, M. Stolypin said that he would discuss the question with the Minister of Commerce, and hoped in about a week to be able to let me know the result.

[10004] No. 175.

Sir G. Lowther to Sir Edward Grey.—(Received March 20.)

(No. 157.)

Pera, March 11, 1911

Sir,

WITH reference to my despatch No. 154 of the 10th instant, I have the honour to [illegible] translation of a leading article from the "Tanin" of to-day's date [illegible]

I have, &c.

GERARD LOWTHER

Enclosure in No. 17

Extract from the "Tanin" of March 11, 1911

[illegible]

IT seems likely that the article in which the semi-official German paper, the "Norddeutsche Allgemeine Zeitung," says that, as Turkey and the Bagdad Railway [illegible] of the parties can discuss the subject with a third party on its own initiative, will give rise to discussion, and the "Tanin" article which we reproduce to-day may be taken as the preliminary.

It is natural that the Ottomans, as the most interested party, should watch this discussion with great attention. We admit that it is rather strange that a matter affecting our country should be the subject of discussion and dispute between two foreign Governments. Yet we must be thankful for the blessings conferred on us by [illegible] constitutional regime, which enables us to interfere as much as we do in the [illegible] voices on the subject; for under the old regime, this matter [illegible] Turkey's very life, would have been arranged without our knowledge, and doubtless to our disadvantage. The existence of an Ottoman Government conscious of its interests and rights and resolved to defend them naturally [illegible] the discussion into another channel.

It [illegible] never be a cause of satisfaction to us that the Bagdad Railway q[illegible] [illegible] greatest sufferers. Turkey's duty is therefore to prevent the [illegible] two opposing interests in the Persian Gulf, and that is why we maintained that we ought to come to an understanding with England and considered this discussion to be advantageous.

It is satisfactory to the statesmen of neither country, we [illegible] Gulf question which is opposed to the friendly relations existing between England and Turkey [illegible] referred to a number of embarrassing questions come up. Why should we not [illegible] and try to find some means of removing them? When we hear England talk about English commercial interests and rights in the Persian Gulf we are naturally displeased and anxious, not knowing clearly what the material and real form of these interests is or will be. It was clearly necessary [illegible] an exchange of views in order to avoid even greater misunderstandings.

[illegible] ferred to above contain nothing that would [illegible] [illegible] and Turkey to discuss [illegible] way or the Persian Gulf, [illegible] the German paper is [illegible] an agreement, the condi[illegible]

discussion with another Government. It is, of course, necessary to ask for the views and obtain the consent of the company holding the concession.

The Ottoman Government continues the discussion with England, finds out what the English claims co[illegible], and decides what is to be done if some of them are admitted to be legitimate and to deserve a hearing. If the measures to be taken prejudice the rights of the Bagdad Railway Company the Government of course obtains the company's consent, but if there is no point affecting the company it is obvious that no one has a right to object.

From the desire evinced to continue this discussion, we understand that Turkey's wish to enter into negotiations with England is received with satisfaction in that country. This may be taken as showing how advantageous it is to take up an enterprising line in our foreign policy. In order to solve political difficulties, it is actually better to take up a definite line and try to prevent difficulties rather than to [illegible] question." In our foreign policy in general, and in the Persian Gulf question in particular, our interest lies not in setting rivals by the ears, but in uniting them as far as is compatible with Turkish interests, and it is naturally better for us to think out means to this end and to prepare them.

[10007] No. 170

Sir G. Lowther to Sir Edward Grey.—(Received March 20.)

(N[illegible])

Pera, March 13, 1911.

WITH reference to your telegram No. 63 of the 11th instant and [illegible] correspondence on the subject of the Bagdad Railway [illegible] I transmit to you herewith copy of the "notes" which I have communicated [illegible] Sublime Porte relative to the attitude of His Majesty's Government with [illegible] 4 per cent. increase of the customs duties.

I have &c.

(Signed) GERARD LOWTHER.

[illegible]

HIS Britannic Ma[illegible] His Maje[illegible] Government the [illegible] by his Ex[illegible] Minister for Foreign Affairs [illegible] March 1911 containing certain proposals regarding the completion of the Bagdad–Persian Gulf Railway. These proposals will receive the careful consideration of His Majesty's Government, and a reply will be sent in due course.

In the meantime, His Majesty's Embassy desires, under instructions from [illegible] to call attention to the fact that paragraph 2 of the memorandum referred to which deals with one of the conditions of the assent of His Majesty's Government to the increase of the customs duties by 4 per cent., gives [illegible] laid down by His Majesty's Government which does not correspond with those which have at various times been explained to the Sublime Porte.

The point of view always maintained by His Majesty's Government has been that [illegible] would be unable to consent to the proposed increase for a fixed period if such revenues were to be devoted, by setting free other affected revenues, to facilitating the construction of a railway which would not but injure [illegible] established British commercial interests in Mesopotamia.

These views were clearly set forth in a conversation which his Excellency the Minister for Foreign Affairs had with His Majesty's [illegible] Secretary of State for Foreign Affairs on [illegible] May last, and on the 20th July they were [illegible] explained at the Foreign Office to his Highness the Ottoman Ambassador in London who was on that occasion accompanied by his Excellency the Minister of Finance.

Subsequently these views were set forth at greater length in a [illegible] was placed in the hands of his Excellency the M[illegible] was in London.

[illegible] Sublime Porte will doubtless also re[illegible] the course of the pourparlers [illegible]

[illegible] of the 4 per cent., expressed the desire, in the interests of the internal [illegible] of Egypt, that the Ottoman Government should arrange to remove the restrictions on the borrowing powers of the Government of His Highness the Khedive imposed by the Imperial Irade of the 7th August 1879 (16th Cheban 1296) and thus revert to the financial *statu quo ante* of Egypt as indicated by the [illegible] of the 8th June, 1873 (13th [illegible]

10016

Sir G. Lowther to Sir Edward Grey.—(Received March 20.)

(N[illegible])

Pera, March 15, 1911.

WITH reference to my despatch No. 153 of the 10th instant, I have the honour to [illegible] herewith a translation of an article by Hussein Djahid in the "Tanin" [illegible] Bagdad Railway [illegible] writer says that [illegible] reference to the claim over Koweit, made [illegible] Times" on the [illegible] states that Turkey does not need Koweit [illegible] build the Ba[illegible] way and to carry the line to the shores of [illegible] Persian Gulf. If England raises difficulties against the construction of the [illegible] at Koweit, that will not prevent the construction of the line.

"[illegible]" he goes on to say, seems to think that the invitation to England to [illegible] was dictated by fear or necessity. This is far from being the [illegible] Turkey will expect some return for the courtesy and friendship shown to [illegible] land. But if Turkish friendship is rejected then Turkey need no longer consider British commercial interests. In any case, it cannot be believed that England will be guilty of such injustice, as [illegible] of the "Times," as to use her consent [illegible] the increase of the customs [illegible] the Bagdad Railway [illegible]

[illegible] connection with [illegible] Ottoman Socialist student of economy, which contends that the increase of the customs duties to 15 per cent. *ad valorem* will be an economic blunder on the part of Turkey.

There is no doubt that there is considerable [illegible] in this point of view, as an [illegible] of the customs duty to 15 per cent. on such primary necessities as, *e.g.*, sugar, [illegible] constitute an all but unbearable burden on the lower classes, whose general [illegible] of living is very low.

I have, &c.

(Signed) GERARD LOWTHER.

[illegible]

From the "Tanin" of March 14, 1911.

[illegible]

WE are always talking about this question, but we consider it our duty at the [illegible] to bring our readers, to follow every phase of the question, on account of its [illegible] importance with regard both to Irak and to our foreign policy.

Our prophecy that the Bagdad Railway question would give rise to a dispute between the German and British presses has not been falsified. The "Times" article [illegible] which we reproduce today is written with the best [illegible] ray, the bitterness caused by this dispute. Let the English papers [illegible] the German press [illegible] But it should not be forgotten when the English press is replying to the German papers, which are walking arm in hand with Otto[illegible], that contempt for the Ottoman Government and indifference [illegible] will cause sorrow and astonishment in Turkey.

It is not our fault that the German papers have said that England can take part in the [illegible] conciliator, so why should the English press [illegible] wounding to our amour-propre, our rights and our feelings? The English [illegible] and French or any other press must understand [illegible]

human heart, and that that heart beats with feelings of the loftiest and purest patriotism. This nation may be perhaps crushed, but it can never, even for a day, bow to the insults of foreigners. We beg them to remember this, and to give up the tone of contempt and insult—for we understand insult and store it up in our hearts. If we make this slight retort to-day, we may retort still more to-morrow, a fact that would be taken into account. A country should think of its policy, not for a few years, but for a long future.

We shall pay no attention to the claim made by the "Times" over Koweit in the name of England, that it is not and never can be, considered as Ottoman territory, for we have already proved by quotations from Lord Curzon's book that the Sheikh of Koweit is subject to Turkey. While the rights of the Ottoman Government are so clear, to try to sweep them away with a stroke of the pen is to say: "Say what you like, we are stronger than you, and in that strength we will deny your rights." There can be no discussion while one of the parties relies on force.

The Bagdad Railway question is not the Koweit question. England and Turkey have undertaken by mutual agreement to maintain the *status quo* in Koweit. Well, let the question stay at that. We do not need Koweit harbour in order to run the Bagdad Railway and to carry the Bagdad-Bussorah section to the shores of the Gulf. If the terminus is not at Koweit, it can be somewhere else on the Persian Gulf. If England refuses to recognise our rights [illegible] to a terminus at Koweit, that cannot prove [illegible]

This will not do us much harm [illegible] labor into the negotiations [illegible] the Bagdad Railway, but [illegible] England, and that is why we took [illegible] Irak, and later pent up in the Persian Gulf and invited her to negotiate, in [illegible] understanding, and to lay the foundations of a sound and lasting [illegible] was to get a clear idea of England's point of view and to reconcile [illegible] and Ottoman interests, and to do nothing to wound a Government whose friendship [illegible] deserved. To judge by the language of the "Times," one would think we had [illegible] this course either from fear or from necessity; it heads such [illegible] as might be heard, not when friendly negotiations [illegible] but when a victor is issuing commands to the utterly vanquished. But we [illegible] by fear nor by necessity. It should be known that Ottoman patriotism and amour-propre could not bear such a thing.

According to the "Times," the Bagdad Railway question affects English interests in two ways: (1) the protection of British commercial interests in the points the [illegible] which the line passes; (2) the maintenance of British pre-eminence in the Persian Gulf. This means that is what the English want. If they prevent the line from going to Koweit, and take up a not very friendly attitude towards us, will they gain what they want? If we fail to persuade the German company to hand over the Bagdad-Bussorah section to an international company and we have it made by the [illegible] what will British commerce gain? It is known that she would gain [illegible] But is it so difficult to estimate what she would lose? If the railway instead of terminating at Koweit, ends at some other point on the sea, will no harm [illegible] England's preferential position in the Gulf?

They say that in return for the construction of the Bagdad Khanikin branch line by the Bagdad Railway Company England can make other railways in Irak and connect them with their railways in Persia. How can they hope to get such a concession from us, after putting such difficulties in our way and acting in such an unfriendly manner? Are we so simple? Will not the insult and the disregard for our rights rankle in our [illegible]

On what does England rely, in making these demands? If the weapon she wields is Koweit, it is useless, for we shall complete the matter even without Koweit. We [illegible] naturally expect some return for the courtesy and friendship we have shown [illegible] and compels us to build the railway in some other fashion there will of course be [illegible] further necessity for us to think of British commercial interest.

In spite of the advice given by the "Times" that the customs increase should be used as a weapon, we could not believe that England could be guilty of such flagrant injustice, or would commit an evil action that would redound so little to the credit of a country like England. In granting the increase England would openly show friendly feelings; if the increase is not granted this Government will not be

crushed—it will suffer some inconvenience, but it will build the Bagdad-Bussorah line nevertheless; but when that is accomplished we cannot now determine what will happen to British commerce in Irak.

Enclosure 2 in No. 77.

Extract from the "Jeune Turc."

DROITS DE DOUANE ET DARIEH.

IL SUFFIT. A l'année 1907 le tarif de douane de l'Empire ottoman était de 8 pour cent *ad valorem*; il est maintenant de 11 pour cent et on se propose de l'élever à 15 pour cent.

Cela veut dire que dans l'espace de très peu d'années le taux du tarif douanier aura presque doublé.

Il est hors de doute qu'une semblable mesure ne peut rester sans [illegible] une grave [illegible] sur la vie économique du pays, c'est pourquoi elle doit être très sérieusement [illegible] étudiée aussi bien au point de vue financier qu'au point de vue économique.

Le Ministre des Finances, Djavid Bey, a plusieurs fois déclaré et répété à la Chambre qu'il est partisan du système du libre échange. Il n'en est pas, où l'industrie n'est encore qu'à l'état embryonnaire, il ne peut être contesté que le principe du libre échange devrait être cité de la libre importation.

[illegible] le Ministre des Finances se fait le défenseur du tarif douanier [illegible] principes, mais il ne [illegible] que [illegible] taux était [illegible] jusqu'à 15 pour cent, il serait tout de même encore assez bas. Cela nous rappelle la jeune fille qui faisait tous ses tours de force jusqu'à ce qu'elle fît un beau jour par mettre au monde un enfant. "Comment donc, lui [illegible] qu'elle fît un beau jour par mettre au monde un enfant. "Comment donc, lui [illegible] quand on, est-il vrai que vous avez mis au monde un bébé? Oui, répondit-elle, c'est vrai, mais, ajouta-t-elle toute honteuse, ce n'est qu'un tout petit, tout petit bébé."

Dans le cas qui nous préoccupe il ne s'agit pas même d'un enfant tout petit, la [illegible] douanière de l'Etat a pris des dimensions si fortes qu'on peut s'attendre au [illegible] à des jumeaux ou trijumeaux.

Un tarif douanier de 15 pour cent sur la valeur constitue déjà un taux de [illegible] établissons des comparaisons avec d'autres Etats.

[illegible] le pays dans lequel le système protectionniste a les formes les plus dures. Certains articles y sont grevés de droits [illegible] exorbitants; d'autre part, il y a aussi toute une série de marchandises [illegible] est tout à fait libre. En Turquie [illegible] aucun droit qu'en Turquie [illegible] de toute nature sans exception sont soumis à un droit de 11 pour cent sur leur valeur à titre de droit d'entrée, et d'après la proposition du Ministre des Finances ce tarif sera porté à 15 pour cent.

Quel est le tarif prohibitif américain, si on en fait le calcul *ad valorem* à l'heure actuelle?

En 1907, la valeur relative de la totalité des recettes douanières par rapport à l'importation totale était de 23.3 pour cent de la valeur de celles-ci. La différence [illegible] pour cent est sans doute assez considérable, mais elle est loin d'être [illegible] aussi grande qu'on ne [illegible] le sens des droits d'entrée protectionnistes les plus élevés. Les tarifs douaniers y sont si [illegible], que le pays entier s'y oppose [illegible] tout aussi bien que les ouvriers et les paysans. Donc même si 15 pour cent sur la valeur de la totalité de l'importation ne représentait point le maximum des tarifs douaniers en vigueur, ils constituent tout de même un tarif protectionniste très élevé.

Mais prenons comme exemple un autre pays [illegible]

[illegible] de 15 pour cent à titre de droits d'entrée. Prenons-en quelques-unes à tour de rôle d'après la statistique officielle pour 1909. Il y a à remarquer qu'en Allemagne comme dans les Etats-Unis, les droits douaniers étant perçus d'après le poids, les

chiffres du calcul de la valeur des marchandises importées et des droits perçus [illegible] lement établie.

[illegible] douanières perçues en Allemagne en 1909 —

[illegible]

Il y a en outre un grand nombre de produits dont l'importation en Allem[illegible] exempte de tout droit d'entrée.

[illegible] agne la valeur relative [illegible]

[illegible] donc donc les chiffres officiels qui indiquent les taux d'entrée par rapport à la valeur de l'importation totale :—

[illegible]

[illegible] l'Allemagne sont un pays protectionniste, le chiffre moyen de la totalité [illegible] l'entrée est d'ores et déjà au-dessous du chiffre [illegible] pour augmenter le tari[illegible] nier.

Un tarif *ad valorem* de 15 pour cent est de 6 pour cent pl[illegible] moyen actuellement en vigueur en Allemagne. Si en Allemagne, on avisant [illegible] les droits d'entrée jusqu'à proportion de 15 pour cent, cette augmentation [illegible] une mesure pareille, tout le monde y compris le Ministre des Finances, serait [illegible] tenir compte d'une réduction importante de la consommation, qui s'ex[illegible] On n'oserait pas [illegible]

[illegible] ment des finances n'aurait q[illegible] meux et suivre la méthode très simple du Ministre des F[illegible] impôts et droits douaniers susceptibles de limiter le développement [illegible] l'état et mettre ses ressources financières au lieu de les développer [illegible] la Turquie, par contre, on n'a pas d'hésitation à augmenter le tarif d[illegible] tenir compte d'une diminution consi[illegible] mination. Il est évident que la majoration des ressources qu'on attend de cette opération est fort incertaine. [illegible] en se basant sur ces chiffres problématiques qu'on [illegible] incertain, on veut faire des emprunts [illegible] le l'état.

[illegible] pays pauvre. La population de la Turquie est réduite à compter pour chaque [illegible] hausse des prix [illegible] prix, tandis que la population de la Turquie se trouve dans la nécessité de pa[illegible] prix que l'étranger lui impose.

En outre, en Allemagne [illegible] droits d'entrée sont perçus sur le poids, en Turquie sur la valeur. Or, les taux *ad valorem* ont la tendance d'augmenter au fur et à mesure que les prix des mar[illegible] augmentent. Ce fait et la question du tarif douanier différentiel sont d'une [illegible] si manifeste qu'il y a lieu de traiter ces questions dans un article spécial.—PARVUS

[10017] No. 178

Sir G. Lowther to Sir Edward Grey (*Received March 20.*)

(No. 170.)

Constantinople, March 15, 1911

Sir,

I HAVE the hon[illegible] forward herewith a de[illegible] from His Majesty's vice-consul at Adana reporti[illegible] the delay which has occurr[illegible] on of the Bagdad Railway line near Adana.

I have, &c.
GERARD LOWTHER

[illegible]

Vice-Consul South to Sir G. [illegible]

Adana, March 6, 1911

Sir,

I HAVE the honour to report that during the first few days of this month, owing to the Seihun River being in flood, a considerable amount of damage has been done to the works which are being carried on for the [illegible] of the Bagdad Railway bridge over the river at Adana. The floods were not so severe as last year and, except to the bridge, little damage has bee[illegible]

In order to transport material to the east bank of the river, for the construct[illegible] Mussa and beyond, a temporary bridge carrying the line had b[illegible] built, supported by two stone piers and a large number [illegible] trestles. Fifty [illegible] this the permanent bridge (iron girder supported by con[illegible] piers) was [illegible] tion, and the work was well advanced when th[illegible] flood [illegible] was now been entirely swept away, and part of the temporary work [illegible] the permanent bridge was also carried away. The damage done is said to amou[illegible] to from £,000l. to £,000l., and it is expected that the destruct[illegible] of the bridge will [illegible] siderably delay work on the line to the east of the river. There is now no mea[illegible] transporting material to that side except by the town bridge, a detour of about [illegible] which cart transport alone is possible.

It is said t[illegible] the engineers do not propose to reconstruct the temporary bridge, [illegible] ceed as fast as possible with the c[illegible] ruction of the permanent one. I hope [illegible] time to be able to report more fully on the [illegible] made in the construction [illegible]

I have [illegible]
IAN M. SMITH.

9984 No. 179

Sir Edward Grey to Sir G. Buchanan

[illegible]

I ENTIRELY approve [illegible] President of the Council might be informed that prince [illegible] and to secure advantages for access of British trade to [illegible] ensure to be by the Potsdam agreement and this [illegible] The proposed Mohammerah Khoremabad line would [illegible] in all probability [illegible] portion of British goods; it would merely divert existing traffic, which already goes to Persia by Bagdad and Kermanshah. It would be [illegible] to impress this fact on M. Stolypin, as its import is apparently not appreciated [illegible]

9875

No. 180.

Foreign Office to India Office.

[illegible]

Foreign Office, March 20, 1911.

WITH reference to the letter of the 29th September, 1910, from this Office, relative to the proposed construction, under Anglo-Russian auspices, of a railway [illegible] setting Europe with India by way of Persia, I am directed [illegible] Grey to transmit to you herewith copy of a letter addressed [illegible] Russian group interested in the project to Mr. Huth Jackson [illegible] [illegible]unicated to this Office.

This letter sets forth the attitud[illegible] [illegible] may be [illegible] as soon as possible with the views of Viscount Morley, and of the [illegible]nt of India, on the subject in order that he may be enabled to reply to Mr. Jackson without undue delay.

I am to add an expression of Sir E. Grey's hope that it may be found possible [illegible] His Majesty's Government to express themselves as favourably [illegible]

I am, &c.,
LOUIS MALLET.

[10411]

No. 181.

Enclosures in India Office Letter.—(Received at Foreign Office, March 21.)

Enclosure 1.

Lieutenant-Colonel Cox to Government of India.

[illegible]

I HAVE the honour to forward, for the information of the Government of India, copies of correspondence which has passed between the political agent Koweit and [illegible] [illegible] occasion, on which occasion the Government of India gave my predecessor discretion, if the situation indicated it to have a warning intrigue [illegible]

Enclosure 2.

Captain Shakespear to Lieutenant-Colonel Cox.

[illegible]

Koweit, January 18, 1911.

I HAVE the honour to invite a reference to the various extracts in my last few [illegible]

* No. 177.

Muntafik and Sheikh Mubarek, and in this connection to forward Arabic copies of certain correspondence with which the Sheikh of Koweit has furnished me, and which I regret I am unable to have translated before the closing of the post.

2. The fighting foreshadowed in my diaries is a continuation of the quarrel which formed the subject of reports dated the 9th and 30th March, 25th May, 12th July, and the 28th September, 1910. Sheikh Mu[illegible] has not done much beyond keeping up a small mobile force near Jahara as a safeguard, whilst during my recent short tour northwards I learned that Sheikh Saadoon was seriously contemplating an expedition which even included a possible attack on Koweit itself. My authority for this is a conversation which I had on the 12th January with one of Saadoon's near relatives at Zubair, who asked me very pointedly whether the British Government would interfere to support Mubarek in the event of the Muntafik actually [illegible] Jahara or Koweit, though Saadoon was prepared to guarantee that no harm would result to the British representative or British life and property. I contented myself with an evasive answer to the effect that until the [illegible] occurred I was not in a position to [illegible] Government might [illegible] largely concerned with Koweit as a port to British trade found its way, and therefore I failed to see how they could [illegible] a deliberate attempt on the town which must certainly affect these [illegible] that these questions were not [illegible] interrogator to draw his own inference. As [illegible] the general advantages of a return to the status as being less damaging to both parties, and [illegible] Saadoon and Mubarek [illegible] relations which up to a year ago [illegible].

3. I saw the sheikh yesterday, and he informed me that the Vali of Bussorah had addressed him on the subject of making peace with Saadoon and had offered himself as intermediary. I enclose copies of the vali's letter to the sheikh and the sheikh's [illegible] The latter purports to contain a history of the quarrel, and though correct in the [illegible] is to some extent coloured, as might be expected in an account given by one [illegible] the parties. After the despatch of his reply the sheikh received further news [illegible] of Saadoon's advance with a large force to within striking distance of Jahara, and he then despatched his telegram to the vali, of which also I have the honour to enclose a copy. It will be seen from these two papers that the sheikh's attitude is correct, and leaves no room for a plea that he is the aggressor.

4. This morning while I was drafting this letter the sheikh came to see me, and said that, though he suspected it before, he received last night reliable evidence from Hagiah that the whole of the present [illegible] had the countenance of his Excellency Nazim Pasha, and is directed towards worrying Mubarek into a request for the intervention of the Turkish authorities in the quarrel, and so forcing an acknowledgment of their right to settle his differences with others. After much pressing the sheikh gave me the name of his informant, begging me to keep it secret. It will suffice here to note that this information came from a member of Nazim Pasha's [illegible] whom he reposes confidence [illegible] I know to be an old and valued [illegible] sheikh Mubarek. The suggestion is supported by the fact that, though the Turkish authorities have no cause to love the Muntafik [illegible], from whom they have been unable for more than the last twenty years to extract any revenue either by force [illegible] Nazim Pasha's guest at Baghdad, and, further, [illegible] Saadoon had settled his differences with the Turks during his visit to Baghdad, though at what price he did not say.

5. Eventually the sheikh, who was undoubtedly anxious at the turn affairs have assumed, requested me to explain the position to you, and, if possible, endeavour to [illegible] harbour for a short time. The sheikh went on to say that he would not [illegible] just received from Baghdad. He was quite prepared to meet Saadoon and his people [illegible] the usual Arab way, and felt confident of defeating him signally, but it was evi[illegible] now that Saadoon's boldness and the Bussorah vali's efforts to act as a mediator were [illegible] another to open a door to Turkish intervention. The [illegible] British war-ship in Kathama Bay would ensure the safety of Jahara, and so of Koweit by showing unmistakably that the British Government were aware of the intrigue, and

do not intend to permit Berloum desert raids to take the form of assaults on coast towns.

6. Though the sheikh affects confidence in his own men, I doubt whether he really feels it, and I am certain from outside information that they will be no match for even an inferior number of the resolute Muntafik Arabs. Sheikh Mubarek's force consists of Nejdis and townsmen who [illegible] service means rations and a steady monthly wage without work, but for actual fighting they have no stomach. These are reinforced by large bands of Berloum whose [illegible] encounter the Muntafik they will probably either desert in a body to the [illegible] re, I think the presence of a ship of war would certainly check S[illegible] as probably Saadoun's tribesmen would be dismissed, or betake themselves to raiding further inland.

7. If the sheikh's information regarding Turkish connivance in the raid is correct, [illegible] own opinion is that it is so, the presence of a man-of-war will have a most [illegible] effect, and it is possible may even cause the Turkish Government to show [illegible]

8. I need scarcely repeat how nearly every one of Sheikh Mubarek's difficulties has its origin in Turkish intrigue, or how men[illegible] in themselves [illegible] unconnected with him are trained to provoke and worry him, whilst at the [illegible] a panacea for all these ills is offered in his acknowledgment of Turkish sovereignty either by inscribing himself or his sons [illegible] Turkish subjects or by accepting a Turkish [illegible] relations with Turkish officials during the last few years shows that these intrigues will not cease until the Turkish Government is made to realize in the plainest manner that His Majesty's Government are aware of its aims [illegible] will not permit them, as disturbing their own relations with the Sheikh of K[illegible] this ground alone I would solicit your support to the despatch of [illegible] becomes even more urgent, and I would beg that it may be considered as [illegible] possible.

Enclosure 3

The Vali of Basrah to Sheikh Mubarek Al Sabah

2nd Muharrum, 1329 (January 1, 1911)

After presenting compliments, let it not be hidden from you, in view of the [illegible] for the execution of a military engagement between you and [illegible] and I have now received a reply in which he says that there is absolutely [illegible] in what has been rumoured about the preparation made by him and that [illegible] moved from his place up to now, but that when he proceeded to Basrah [illegible] prepared for a reconciliation. In consideration of this he wrote [illegible] left to you to say if you have an idea, and if you wi[illegible] confidence to be on your behalf and let me know his name. As to [illegible] of the tribesmen. I am waiting (to hear) the result from you.

And salaam to you with God's peace and blessing.

Enclosure 4

Sheikh Mubarek of Koweit to the Vali of Bussorah

(Translat[illegible]
(Telegraphic.)

Bussorah, January 16, 1911

(After compliments.

Saadoun had advised your Honour that he had made no preparation and not moved from his place. I represented to you what was necessary in writing, and explained his falsehood. Now he has reached the south west of Safwan which is within my territory, and approached my tribesmen. The state of the tribesmen is known to your Honour, when antagonists approach (each other) it is inevitable that a collision will take place between [illegible] I [illegible] to your Honour's orders, prevent my tribesmen from taking action against him [illegible] stopped them from approaching him, so that nothing whatever may take place before information reaches your Honour and a reply is received. Now I have represented the circumstance to you, so that you may devise the necessary schemes for his returning to his own place. And if he remained in this place and anything took place I shall not be responsible.

Sheikh Mubarek Al Sabah to the Vali of Bussorah

(After compliments.) *15th Muharrum, 1329 (January 17, 1911)*

AFTER offering you my last respect I beg to state that I had the honour to receive your communication, dated the 2nd Muharrum, 1329, in which you suggested all what was good and advisable. I thank you for your good wishes and wise [illegible] and stated that a reply has been received from Saadoun that he has [illegible] from his place and has not made the least preparation. It is [illegible] to tell you the truth. As to what he has stated to you that I [illegible] Mu[illegible], and in the palace in the bush at Abughar; (I would state that) he is not in his place, but that he [illegible] tells a lie, but I say that it is his characteristic which he developed. May God guide him [illegible] It is necessary for him to avail himself of this happy time and [illegible] of the honest [illegible] who endeavour in the interests of the nation and the Government. May God help us in giving full satisfaction to the officials of our Government.

I your sincere friend, will, God willing, follow a line of conduct which may be most peaceful and truthful, maintain justice and will not, inshallah, deal with the people except according to truth, justice and courtesy. The family of whether Saadoun himself or all the sons of Rashid are dear to me up to now and will remain so afterwards, inshallah, because we were on the most cordial terms with them since ane[illegible] [illegible] known till that of his sons, Mansoor Pasha and Nasir Pasha and their sons [illegible] now alive. And Saadoun does not deny this, and will also not deny my kindness to himself particularly. This his dealing with us does not hurt us, but will hurt his name and honour. The causes which created this ill feeling will be represented to your [illegible] according to justice and with proofs. In the first instance Osman-al-Rashid, a merchant of Koweit, sent his employés to the tribesmen with rice, clothes and coffee to be sold to the tribesmen who are on the side of Nejd from Shammar to Unthaiza and Osman's employés sold their goods and purchased camels and sheep and proceeded to our [illegible] was like a son of mine in my estimation, and was particularly good with me while he was not good to all the world.

Ibn Hallaf, the sheikh of the Saued tribesmen, seized from the [illegible] said Osman Rashid the camels and sheep which they had bought to [illegible] furnitures of their houses as well as the sheep belonging to the people of Jahrah [illegible] to him. He asked them to bring him a letter from me, as was the ordinary procedure with him and the other headmen of the tribesmen, whenever there is any plundered property belonging to my subjects with them I write to them and they return the same. Ibn Hallaf and his tribesmen, the Saued all took refuge with Saadoun, because the Sheikh of the Dhafir Hamoodha-Soweith, had banished them and gave Saadoun a share of the camels and sheep belonging to the people of Koweit. I wrote to Ibn Hallaf

[illegible] but both he and Saadoon were inspired with covetousness. At the [illegible] Khalaf Nakhtaalah happened to be with Saadoon on a visit, because [illegible] to proceed on a journey with the [illegible] and halted near my tribesmen. M[illegible] tribesmen on an excursion [illegible] men who were with him, saying [illegible] my son Jaber when he informed of the statement of S[illegible] He (Jaber) thanked him, and he also received a letter from Saadoon containing expressions of friendship and kind regards. A day after some one came to my son Jaber from tribesmen who were at a distance of eight hours' journey, informing him that they were attacked by Saadoon and plundered. On learning this Jaber told Seyyid Khalaf —

How is this—were these messages from Saadoon a trick by which [illegible] duped through you? We will have to go to him and recover the loot from him.

Seyyid Khalaf assured him that he himself w[illegible] property from him. When Seyyid Khalaf met Saadoon he (the Sey[illegible] he (Saadoon) acted very badly and that he (Saadoon) had both deceiv[illegible] that he should now return the loot, otherwise it would be [illegible] He replied —

"It does not matter, the plunder[illegible] them their property)."

My son Jaber sent the plundered [illegible] worth mentioning in con[illegible] continued between me and [illegible] remained with him, and th[illegible] otherwise as regards Saadoon and all Saadoon [illegible] agree that the least thing should be done by us ag[illegible] them purposely at present and in future. My son Jaber and Abdul Aziz al Saud learnt that on his return Saadoon was plundered by the Ibn Hazzal and his tribesmen of Aneizah when he attacked them, and that he returned and went to his [illegible] at Abughar, [illegible] that the Saeeds separated from h[illegible] themselves of this opportunity, and when they reached near the Arabs they [illegible] men and that there was a tent with them, which, as they had understood, belonged [illegible] Saadoon. The spies also stated that according to what they saw there was [illegible] with the Arabs. They (Jaber and Abdul Aziz) abstained from attacking the Arabs the morning owing to the fact that Saadoon was with them [illegible] They sent off certain horsemen to fire at the Arabs in order that they [illegible] and horses to graze, and they did not take the offensive by way of evincing some politeness. Seeing this negligence on their part Saadoon collected the horsemen of Adh Dhafir who were with him as well as the mounted bordumen of Muntafik, attacked their animals and plundered them in the pastures. This is the fact of this case, and I have truthfully represented to you what has happened. Now, God willing, I will take no action against Saadoon, but against the tribesmen who adopted the path of villany and who are not from amongst his dependents the Muntafik. When [illegible] and any opportunity we will punish him for the sake of the security of the [illegible] of the persons who carry on business from Khamaiyah to Zubair, Kuwait al Ai Hasa. Now, in compliance with your command I will make no preparation [illegible] Saadoon, and so long as he is remaining with the bandits I will avoid th[illegible] success in separating from them. It is incumbent on him to abide b[illegible] commands and deal with you honestly. According to what he had [illegible] Honour he had [illegible]

deceived by him, and have been forcibly collected by him in order that he may support himself by them. He has deceived them that they would be plundered if they separate. They have been safe all these years and we are guarding them, and they were not the victims of the tribesmen from the first. A month and a half ago I wrote to [illegible] refer for [illegible] to go to their former habitats and disperse for the purpose of feeding their animals and that I shall have nothing with Saadoon except what is good; but that what he did to us did not hurt us, but injure himself and his name. As to Saadoon's situation [illegible] for me to represent them to you, as your Honour will learn (them) from official archives. With regard to Saadoon's claim for [illegible] of the Dhafir tribesmen which were plundered by the sheikh of the [illegible] Dhafir were on these terms from ancient time, and so were the other tribesmen. Fur[illegible] with us or with Saadoon. Now, as regards above-mentioned plundered property [illegible] way he should, according to the usage of [illegible] disgrace and be free from this shame, and [illegible] But if he is actuated by meanness, we are [illegible] and this fact will remain in the memory of the Arabs [illegible] As to your Honour's order that I should nominate some one on my behalf, I have (now) represented to you the facts and choose your own justice, so that Saadoon may not cause mischief in this side. I have addressed you in order to explain the circumstances, and hope that your kind attention will continue. In any case, order and decision will rest with your Honour.

Enclosure 6.

Lieutenant-Colonel Cox to Commander of His Majesty's ship [illegible]

(Telegraphic) P[illegible] *Bushire January* [illegible]

Please send following to political agent, Koweit, through "Philomel"

[illegible] *rely.*—Please telegraph briefly whether there is any change in position since [illegible] sent to [illegible] could not get [illegible]

Enclosure 7.

Commander of His Majesty's ship "Fox," at Jask, to Lieutenant-Colonel Cox

Jask January 28, 1911

Following from Shakespear to resident —

"Your telegram, 27th.

Saadoon has written for peace sending letter by Basorah merchants, and Mubarek has replied to-day accepting terms on condition two Dhafir sheikhs come in. Mubarek considers peace arrangeable on these terms. Saadoon, however, still near Safwan, and I think that, though attacks now improbable, chance of peaceful solution will be improved [illegible] detained remaining week longer if can be spared."

"Philomel" can remain indefinitely [illegible]

Lieutenant-Colonel Cox to Commander of His Majesty's ship "Fox"

(Telegraphic.) P. *Bushire, January*

Kindly wire following to Shakespear, Koweit, through "Philomel"

[illegible] naval officer can spare "Philomel" for the present

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10491

Hague

3) Bassora, par Zubair [illegible] Golfe Persique, 4) droit d'utiliser [illegible] flasques et un autre sur le point terminus de la ligne aboutissant au Golfe [illegible] 5) le privilège de tout embranchement partant de la voie principale et de la [illegible] le mer, dans la zone comprise entre Mersine et Tripoli de Syrie.

A la garantie kilométrique du [illegible] revenus spéciaux, c'est-à-dire les excédents des revenus concédés à la Dat[illegible] certaines dîmes. Cette obligation formelle contracter vis-à-vis de la Compagnie [illegible] le Gouvernement ottoman dans une situation difficile au point de vue de la réalisation [illegible] certains de ses projets. On connaît les péripéties des négociations relatives à la majoration douanière de 4 pour cent. Le Gouvernement de Sa Majesté [illegible] pour cela une condition principale pour y consentir.

[illegible] du Chemin de Fer de Bagdad.

D'autre part, l'exploitation de la [illegible] appréhensions dans l'opinion publique [illegible] les intérêts commerciaux britanniques.

En présence de la nécessité de la majoration douanière de 4 [illegible] désir du Gouvernement Impérial d'arriver [illegible] le la ligne intégrale Bagdad Golfe Persique en satisfaisant tous les intérêts [illegible] la Sublime Porte a pris cert[illegible] [illegible]ires les difficultés existant [illegible] les termes de l'accord intervenu [illegible] le Chemin de Fer de Bagdad [illegible]

[illegible] Compagnie consent à renoncer au sur[illegible] [illegible] aux recettes provenant de la pr[illegible] [illegible] la recette (patente). Elle re[illegible] [illegible] Bagdad Golfe Persique, a[illegible] [illegible] le Golfe Persique en faveur de la nou[illegible] laquelle la Compagnie de Bagdad consent à être [illegible] ottomane. Néanmoins, elle tient à ce que sa participa[illegible] d'une nation tierce non ottomane. Elle se réserve le dr[illegible] nouvelle compagnie ottomane ou avec l'Etat ottoman p[illegible] sujet de la perte encore par elle à la suite [illegible] [illegible]que, dont la construction est plus facile [illegible] [illegible] la compagnie déclare être [illegible] l'achèvement de la ligne jusqu'à Bagdad les revenu[illegible] c'est-à-dire le surplus actuel des re[illegible] affectés. Conformément à sa concession [illegible] Chemin Alexandrette et un port [illegible] garantie kilométrique [illegible]

M[illegible] peut traiter avec le Gouvernement britannique [illegible] débouchant au Golfe Persique, une solution [illegible]

13894] No. 184*

Sir G. Barclay to Sir Edward Grey.—(Received March 21.)

(No. 20.)
(Telegraphic.) P. *Tehran, March 21, 1911.*

[illegible]

I am informed by Mr. Green-way that he broached the subject of railways in Persia [illegible] and more he had of the Regent yesterday.

Nasr-ul Mulk appeared to favour the idea of railway construction and expressed [illegible] opinion that England and Russia might agree upon a joint scheme. Work would [illegible] carried out in portions, in accordance with local need and was forthcoming and priority [illegible]

In the course of conversation Mr. Greenway informed Nasr-ul Mulk that the advantages which would result from a railway from Mohammerah northwards had greatly struck him on his journey to Tehran, and he intimated that, if proper security were found he would be ready not only to arrange to find the capital necessary for such a line but also for the lines Bunder Abbas Kerman and Bunder Abbas Shiraz. Nasr-ul Mulk believed that the Mohammerah scheme was the one of most pressing importance, and he thought that with some corresponding advance from the north this line might be the best section to be commenced.

I am not in a position to judge how far Nasr-ul Mulk's remarks to Mr. Greenway should be taken seriously, pending receipt of your instructions (see your telegrams Nos. 53 and 54 of the 14th and 21st February respectively) to approach the Persian Government on the subject of railways.

[illegible] not acting under encouragement from His Majesty's Government or from His Majesty's Legation.

[illegible]

qui mérite d'être signalé dans cet arrangement avec la [illegible] de Bagdad, c'est qu'il n'accorde non seulement aucun [illegible] à la compagnie, mais réalise, au contraire, la renonciation par celle-ci à une partie de sa concession globale, concession dont le caractère définitif et la validité ne comporte aucun doute.

Ambassade Impériale de Turquie, Londres,
le 21 mars, 1911.

10459] No. 185.

G. Buchanan to Sir Edward Grey.—(Received March 21.)

(No. 62.)
(Telegraphic.) P. *St. Petersburgh, March 21, 1911.*

[illegible] my conversation on Sunday with M. Stolypin, which was given [illegible] I omitted to mention that I pointed out to his Excellency [illegible] construction of a line from Mohammerah [illegible] in our trade, but only its div[illegible] Mohammerah route.

There now seems to be no doubt that M. Stolypin has fallen from office [illegible] departure will render more difficult the solution of this and other pending questions [illegible] will be a great loss to us. I will speak again to M. Neratoff on the subject of this [illegible] itself.

10460 [illegible]

Sir G. Lowther to Sir Edward Grey.—(Received March 21.)

([illegible])
[illegible] *Pera, March 21, 1911.*

[illegible]IY immediately preceding telegram.

Three conventions were signed to-day:

[illegible] to building Half-Bagdad section, to be [illegible]

[illegible] relates to building branch from Osmaniah to Alexandretta.

[illegible] to Haidar Pasha Port Company construction and working of port of [illegible]

[illegible] by which German company abandons right to diagonal [illegible] new company equal to that of any [illegible] reserves to itself right to settle with company amount of indemnity for loss arising out of working expenses guaranteed on that section, and renounces right to ports at Bussorah and Gulf terminus.

9933 No. 186.

Foreign Office to Admiralty.

Sir, *Foreign Office, March [illegible] 1911.*

I AM directed by Secretary Sir Edward Grey to transmit to you herewith copy of a telegram addressed by the Government of India to the India Office,* and communicated to this department by the latter, relative to reported attempts by the German Government to secure a lien on Ras Tanura, a promontory lying to the south of Musulamiya Bay, in Turkish territory, with a view to the construction there of a terminus for the Bagdad Railway.

I am to state that Sir E. Grey would be glad to receive, with as little delay as may be convenient, any information which the Lords Commissioners of the Admiralty may possess relative to this place, with particular reference to its fitness for the site of a railway terminus.

I am, &c.
LOUIS MALLET.

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* [illegible] March [illegible]

[10573] No. 186.

Sir G. Buchanan to Sir Edward Grey.—(Received March

(No. 65.)
(Telegraphic.) P. *St. Petersburgh, March 22, 1911*

PERSIAN railways. My telegram No. 62 of [illegible]

In conversation with Acting Minister of Foreign Affairs to-day I again explained [illegible] position with regard to the Mohammerah Khorremabad sch[illegible]

M. Neratow put forward as a personal suggestion the idea that the northern [illegible] minus of the line might be placed further south than Khorremabad, at some point further removed from the frontier of the Russian zone. He thought that Russia's consent to the scheme would be facilitated by such an arrangement. In reply to this [illegible] gestion, I argued that it was hardly fair for Russia to prevent British goods [illegible] proaching even the borders of her zone when she was about to admit German [illegible] the very heart of it. M. Neratow replied that, as His Majesty's [illegible] bored at present to secure an option for construction, they might, as a first [illegible] the course which he had suggested.

I then proceeded to explain that the line now projected would only serve to divert [illegible] ods which already passed into Persia by the Bagdad route. In reply to [illegible] iry from M. Neratow as to the use which British trade made at present of the route by the Karun, I said that I was not in a position to answer this question off-hand.

He then asked whether, in the event of Russia consenting to our scheme, His M[illegible] ment would be willing to encourage British capital to participate in the [illegible] struction of railways in North Persia. I reminded him that we had already offered [illegible] so as regards a line from Julfa southwards, but he said that what he [illegible] mind was the line from Enzeli to Tehran. I suggested that the representative of the English syndicate, who at the present moment was in negotiation with the Minister of [illegible] nce for the construction of the Julfa Tabreez line, might perhaps be induced to interest his principals in the Enzeli Tehran sch[illegible]

In asking me to submit these two suggestions to you, M. Neratow begged me to point out that they were of a purely personal charact[illegible]

(10463) No. 187.

Sir Edward Grey to Sir G. Barclay.

(No. 84.)
(Telegraphic.) P. *Foreign [illegible]*

RAILWAYS in Persia.

Are you still of view that we should be well advised not to remind Regent of undertaking made by Shah?

(10827.) No. 188.

Sir Edward Grey to Sir G. Buchanan.

(No. 87.)
Sir, *Foreign Office, March 22, 1911*

I SPOKE to Count Benckendorff to-day on the subject of Persian railways, telling him generally what you ha[illegible]

I explained that a concession for a railway from Mohammerah was required to protect our interests. Of course, if we were quite sure that British trade would be at no disadvantage on the Bagdad line, the railway from Mohammerah might never be made, unless private enterprise was willing to undertake its construction.

I reminded Count Benckendorff that M. Sazonow had promised at Potsdam that a connection would be provided between the Bagdad Railway and Tehran. The Russian Council of Ministers had at once pointed out that, if access was to be gi[illegible] [illegible] uption to Tehran, Russia must have a railway from Enzeli, which would enable Russian trade to compete with German trade. This seemed so vital to M. Sazonow that he had even asked for British capital to help in making the line, in order to protect Russian trade. It was just as vital for us to be sure of some means which would enable British trade to compete with German trade in the same market. M. Stolypin had admitted the force of your arguments, but had said that Russian feeling

[10682] No. 188*

Sir G. Barclay to Sir Edward Grey.—(Received March 23.)

(No. [illegible])

Tehran, March 23, 1911

RAILWAYS. Reference to your telegram No. 87 of the 14th March to St. Petersburgh.

M. Poklewski has telegraphed to his Government, who enquired his views on the subject of the proposed application for a concession for the Mohammerah Railway, that it would be difficult to object to the line in the face of the negotiations which took place between the two Governments in 1908. Russian Minister has further pointed out that railway construction in Persia cannot be indefinitely hung up, and has suggested that simultaneous construction of a railway from the north might mitigate the injurious effect that proposed line would have on Russian trade.

[10802] No. 189*

Sir G. Barclay to Sir Edward Grey.—(Received March 24.)

No. 92.)
(Telegraphic.) P. *Tehran, March 24, 1911*

RAILWAYS.

In reply to your telegram No. 84 of the 23rd March, I have the honour to state that there appears to me to be no reason why we should further postpone the [illegible], but I think that, as the Persian Government is now constitutional, the communication of question should be addressed to Minister for Foreign Affairs rather than to Nasir-ul-Mulk.

I should also like to approach the Regent privately first to ascertain his Highness's [illegible] reception in a reasonable spirit. I would propose at the same time to assure [illegible] the Shah's rescript. His [illegible] I think, be prepared for a report [illegible] subject of railways.

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could never be reconciled to our proposal. With regard to this, I pointed out that at Potsdam M. Sazonow had obtained certain advantages for Russia, but these advantages could not be had without corresponding disadvantages.

Count Benckendorff asked me how we could suffer if there were equal rights for all trade on the Bagdad Railway.

I replied that supposing, for the sake of argument, there was a certain class of cotton goods, made chiefly in Germany and exported to Persia, which competed with a [illegible] chiefly in England, and also exported to Persia [illegible] rates on the Bagdad Railway might be arranged so that they were low on the [illegible] and high on the woollen goods. It might be contended, if we complained, [illegible] the rates on the woollen goods made in Germany were just as high as those on the woollen goods made in England, while the rates on the cotton goods made in England were just as low as those on the cotton goods made in Germany; and that there was, therefore, no breach of the conditions of the Bagdad Railway concession. But, in practice, there would be great damage done to British trade.

I am, &c.
E. GREY.

[10716] No. 189

Board of Trade to Foreign Office.—(Received March 24.)

[illegible] *Board of Trade, March 22, 1911.*

I AM directed by the Board of Trade to acknowledge the receipt of your letter of the 16th March, and enclosures, with regard to the Persian Gulf section of the Bagdad Railway and other matters relating thereto.

With reference thereto, I am to say that the Board of Trade are examining with care the various points specified in your letter. In view, however, of the grave and complex considerations, both political and commercial, involved in the whole problem, Mr. Buxton doubts if these particular points can be usefully or adequately dealt with [illegible] general question of policy, and he is therefore disposed to suggest, for [illegible] ration, that, instead of dealing with the matter by inter- [illegible] antagonistic at the present stage if a [illegible] conference could take place between heads of departments, at which the whole matter could be discussed.

I am, &c.
H. LLEWELLYN SMITH.

[10573] No. 190

Sir Edward Grey to Sir G. Buchanan.

(No. 99.)
(Telegraphic.) P. *Foreign Office, March 24, 1911.*

AM I to understand from your telegram No. 65 that we may apply for an option to construct a railway as far as Khoremabad, as far as the Russian Government are concerned, if we undertake not to proceed to construct until we have come to an agreement with them on points at issue? As far as I am aware there is no suitable place between Dizful and Khoremabad where a line could stop, and we should not be obtaining an undue advantage as the Russian Government contemplate the construction of a line from north to south.

I would give every encouragement to a proposal on the lines of Lord Grimthorpe's negotiations, of which I have been informed, on the understanding that Russia would not oppose a line to Khoremabad, which the Russian Government or the Persian Government might eventually link up with Tehran, and there could be no objection on our part if the Russian Government prefer to construct a line from Enzeh to Tehran, and can interest British capital in the scheme.

Imports from the United Kingdom into Arabistan for the years 1907–8 and 1908–9 [illegible] nted to 135,000*l.* and 81,000*l.* respectively; while those from India for the same years amounted to 107,000*l.* and 104,000*l.*, as can be seen from the trade returns. Owing entirely to the imports of machinery of the Anglo-Persian Oil Company, a temporary cause, the figures for 1909–10 show a large increase.

[11020] No. 191.

Sir G. Lowther to Sir Edward Grey.—(Received March 26.

(No. 67.)
(Telegraphic.) P. *Constantinople, March 26, 1911*

MESOPOTAMIAN irrigation.

His Majesty's Consul-General at Bagdad yesterday informed me by telegraph that he had just heard from irrigation engineers there that the construction of wel[illegible] Bagdad-Bussorah railway would not be possible, save at a prohibitive price [illegible] considerable progress was made with the irrigation and drainage works [illegible] which he considers of favourable significance, Mr. Lorimer attaches [illegible]

[11021] No. 1[illegible]

Sir G. Lowther to Sir Edward Grey.—(Received March 26.)

(No. 68.)
(Telegraphic.) P. *Constantinople, March 26, 1911*

BAGDAD Railway terminus.

In accordance with your instructions, I repeated to His Majesty's consul at Bussorah your telegram No. 67 of the 22nd instant, repeating to me a telegram from [illegible] secure a lien on Ras Tanura, and asked for his observations on it. I have now received a telegram from Mr. Crow stating that he knows nothing of this rumo[illegible] the name of the captain from whom the Gov[illegible] investigations would be made on [illegible]

[11019] No. [illegible]

[illegible] Buchanan to Sir Edward Grey.—(Received March 26.)

(No. 7[illegible])
(Telegraphic.) P. *St. Petersburgh, March 20, 1911*

PERSIAN railways.

From the terms of your telegram No. 99 of the 24th March I fear that the sense [illegible] [illegible] M. [illegible] day I told him that the proposal that [illegible] could be fixed at a point south of Khorramabad was impossible [illegible] added that I was disappointed that the Russian Government had not yet seen their way to giving us a favourable reply. M. Nératow attributed the delay to the Ministerial crisis, and said that he was awaiting a report on the scheme from the Minister of Commerce. I begged that he would let me have a reply at the earliest possible moment.

I also saw the official who is in charge of the Persian section of the Minist[illegible] Foreign Affairs, who told me that Russia is swayed by strategical as well as [illegible] her railway from Julfa to Tebreez. Any extension to the south of that point would be exposed to Turkish attack, and it was therefore undesirable to prolong the line at present to Khorramabad.

I told him what you had said as to British capital participating in the construction of the line from Enzeli to Tehran, and suggested the possibility of that line be[illegible] linked up eventually with our projected railway from Mohammerah.

11047 No. 191.

Sir G. Buchanan to Sir Edward Grey.—(Received March [illegible])

(No. [illegible])
St. Petersburgh, March 20, 1911

IN a conversation which I had with the Assistant Minister for Foreign Affairs last week I spoke to his Excellency on the subject of the Mohammerah-K[illegible] line, and suggested that he should warn the President of the Council that I proposed [illegible] cuss the question with him in the course of the interview which he was to grant [illegible] yesterday. M. Neratow expressed the opinion that, while the Russian Govern[illegible] might raise no difficulties to our asking for an option to construct this line, the [illegible] would be different when the time came for asking their consent to its actual [illegible]

M. Stolypin's reception of the proposal was even less favourable. After reading [illegible] *aide-mémoire*, which I had handed him in accordance with the [illegible] conveyed to me in your telegram No. 87 of the 14th instant [illegible] with a smile that I was really not [illegible] the proposed [illegible] Government had no legitimate right to oppose its construction, though it was one to which they had very strong objections. The Moscow merchants and all those who [illegible] Persian trade in Northern Persia would not [illegible] decide against the [illegible] ment for consenting to the construction of a line that would bring British sen[illegible] right up to the Russian sphere, while they would represent England's [illegible] on the part of a fe[illegible]

I reminded his Excellency that, before his departure for Potsdam, M. Sazonow had explained to us the reasons which make it imperative for Russia to meet Germany's wishes with regard to the looking of the Bagdad Railway with the future N[illegible] [illegible] proceed in the construction of the Sadiyeh [illegible] many reasons for object[illegible] to it, because we did not wish to stand in the way of what [illegible] We hoped, therefore, that Russia would in the present case show equal consideration for our interests. His Excellency would have seen from the recent debates in the House of Commons that the proposed construction of the Koweit Railway was viewed with some apprehension in England. In order that we might be able to compete on equal terms with Germany, and to guard against the danger of differential rates being in one manner or another applied to our [illegible] railways, it was necessary that we should open up a new route for them by w[illegible] Mohammerah and Khorramabad. All that we wanted to do was to map out our [illegible] to present footing, and it did not at all follow that the construction of the [illegible] and line would really increase the volume of that trade. British goods [illegible] about 1,000,000*l.* entered Persia every year by the way of Bagdad and Khaniku[illegible] and this trade would, were the railway to be built, be carried on by Mohammerah and Khorramabad instead of by Bagdad. The Moscow merchants seemed to think that they could place a veto on all railway construction in Persia, but this was now no l[illegible] possible. By her agreement with Germany Russia was opening Western Per[illegible] German goods, and she could not with a good grace shut that door in the face [illegible] belonging to a friend.

His Excellency was unable to contest the justice of these arguments, but was evidently not prepared to face the opposition which the construction of the projected [illegible] seat of the Russian Government, is likely to evoke in this country. He enquired whether the goods with which we supplied Persia were of the same class as those which Russia exported to that country, as in the matter of textiles the Russians were being undersold by the Germans, and he feared that British textile goods would also be cheaper than those exported from Russia. I said that I could not give him any information on this point at present, but that we were anxious to do all that we could to safeguard Russia's commercial interests. For the moment all that we wanted to do was to obtain the option of the line, and he might rest assured that we would [illegible] proceed to construct it without a thorough discussion of all matters relating to it with the Russian Government.

I, Stolypin remarked that the illness of M. Sazonow placed him at a great [illegible] and rendered it difficult for him to come to a decision. I said that I

a so deeply regretted the fact that M. Sazonow should be incapacitated by illness at the present moment, all the more so that I had hoped that, had he been able to carry out his intention of going to London, he would have been able to discuss this other outstanding question with you. M. Stolypin replied that it was most important that M. Sazonow should pay his promised visits to Paris and London in May, and in view of the progress which he had made towards recovery in the last few days, he thought that it was most probable that he would do so.

On taking leave of his Excellency I again urged him to consent to our approaching the Persian Government for the concession, and suggested that we might leave the detailed discussion as to the construction of the line till M. Sazonow was sufficiently recovered to receive me, or till he went to London and was able to talk the matter over with you. M. Stolypin enquired whether I was in a hurry for an answer, and on my replying in the affirmative, said that he would consult the Minister of Commerce and endeavour to let me know the decision of the Russian Government in the course of the week.

I have, &c.
GEORGE W. BUCHANAN.

P.S. *March* 22.—In a conversation which I had with the Acting Minister for Foreign Affairs, I went over the whole question once more with his Excellency and endeavoured to make our position clear to him.

M. Neratow put forward two personal suggestions which he begged me to submit as likely to facilitate a solution of the question. In the first place, he expressed the opinion that the Russian Government were more likely to withdraw their opposition to the proposed line if it were to stop short of Khorramabad, so that its northern terminus might be at a greater distance from the Russian zone. I told M. Neratow that I was too ignorant of the geography of the district through which the proposed railway was to pass to be able to say whether such a suggestion was feasible or not. It seemed to me, however, that, now that Russia was about to open the very heart of her zone to German goods, the least she could do was to allow British goods to reach the gates of that zone, and that it would not be fair to refuse us this. M. Neratow replied that as it was only now a question of asking for an option, we might be contented with this as a first step. He then put forward his second suggestion, which was to the effect that we might encourage the participation of British capital in the railway which Russia proposed to construct in Northern Persia.

I reminded him that we had already promised to see how far we could induce British capital to interest itself in a line from Julfa to the south, should Russia wish to build one, to join the line which we propose constructing from Mohammerah to K[illegible] road; but his Excellency gave me to understand that such a line would not have great attraction for Russia at the present moment, and that he was alluding to a Tehran line. I told him that a representative of a British syndicate, M. W[illegible], was at this moment negotiating with the Minister of Finance for the construction of the line from Julfa to Tabriz, and that it was, therefore, [illegible] that he or his friends might equally interest themselves in the Enzeli line.

In the course of our conversation I tried to impress on M. Neratow the fact that we were not aiming at more than the maintenance of our trade with Persia on its present footing, and that the Mohammerah line would but serve to carry the goods which at present enter Persia by way of Khanikin. His Excellency expressed the opinion that we should find the line a very difficult one to construct, and asked me several questions as to the use we were making at present of the Karun route for trade [illegible].

G. W. B.

Enclosure in No. 194.

Aide-memoire communicated to M. Stolypin by Sir G. Buchanan.

DANS une conversation qu'il a eue le 11 (24) février avec le Ministre des Affaires [illegible] de consulter le Gouvernement Impérial avant d'en demander la concession au Gouvernement persan.

Or, le Gouvernement de Sa Majesté estime qu'il y aura intérêt de s'adresser au [illegible] s'agit pour le moment que d'acquérir l'option pour la construction de ladite ligne [illegible] que du port à Khor Musa et, avant de se prévaloir de cette option, le Gouvernement [illegible] Sa Majesté se propose d'engager une discussion détaillée avec le Gouvernement Impérial. Il ne manquera pas non plus de prêter l'attention la plus sérieuse aux moyens de sauvegarder les intérêts commerciaux de la Russie.

Pour le cas où le Gouvernement Impérial aurait l'intention de mettre en exécution le projet d'une ligne qui, partant de Djoulfa, se raccorderait avec la ligne Mohammerah-Khorramabad, le Gouvernement de Sa Majesté aviserait jusqu'à quel point il serait possible d'encourager la participation des capitaux britanniques dans cette entreprise.

Saint-Pétersbourg, le 5 (18) mars, 1911.

(11080) No. 195

Sir G. Lowther to Sir Edward Grey.—(Received March 27.)

(No. 183. Confidential.)

Constantinople, March 22, 1911.

Sir,

WITH reference to my telegrams Nos. 62 and 63 of the 18th March and yesterday, I have the honour to enclose translations of the conventions signed yesterday between the Ottoman Government and the Bagdad Railway Company respecting—

1. The Helif–Bagdad sections.
2. The Alexandretta–Osmanie branch; and
3. Alexandretta port.

These were accompanied by a declaration of the company renouncing its right conditionally to the Bagdad–Gulf section and the ports at Bussorah and the terminus, of which the Minister for Foreign Affairs promises to give me details to-morrow. The sum required for the kilometric guarantee and working expenses amounts roughly to £T 400,000, while the surplus receipts assigned in virtue of paragraphs 1 and 2 of article 2 of the convention of yesterday yield about £T. 105,000, according to the latest returns, *i.e.*, £T 290,000 from the surplus tithes earmarked for the Haidar Pasha–Eskishehir–Angora–Konia–Eregli sections, and some £T 115,000 from the [illegible] revenue surplus for the Bulgurlu–Helif sections, as shown in the annexed table.*

According to articles 3 and 4, the company undertakes to complete the sections from Helif to Bagdad within five years from the date of approval of the plans and surveys, which are to be prepared and approved within fourteen months from yesterday. To accomplish this there is a natural desire to set to work as soon as possible from both ends, and consequently a corresponding anxiety to lose no time in coming to a final settlement with England and France regarding the Bagdad–Gulf [illegible].

As regards the branch from Alexandretta to Osmanie, it is to be constructed without kilometric guarantees and within two years from the date of approval of the [illegible] are to be presented to the Ministry within nine months from the present [illegible].

Like the port of Alexandretta, the termination of the concession is made to synchronise with that of the section ending 200 kilom. east of Helif, *i.e.*, in the vicinity of Mosul.

The plans for the port at Alexandretta are to be ready within fifteen months from yesterday, and the works are to be completed within four years of the date of their approval. This port is in a way a set-off against the Gulf port and that of Bussorah granted to the company by the original firman, but now relinquished, together with their exclusive right to the Bagdad–Gulf sections of the railway.

I am informed that the German company also reserves to itself the right to come to terms with the new company as to the indemnity to be paid by the latter to compensate it for the loss suffered in not constructing that section.

Hussein Djahid Bey, in the "Tanin," which is practically the organ of the Minister of Finance, and other Government organs, express great pleasure at the conclusion of these conventions, and the hope that they will lead to a similar settlement with Great Britain in the matter of the Gulf sections, Koweit, and "other parts of Ottoman

* This table is inaccurate; see corrected one in Sir G. Lowther's No. 196 of March 25, 1911.

territory in the Persian Gulf" (the latter phrase may refer to Bahrein, Kat[illegible] the fact that the Government refuses to submit these conventions to [illegible] indicates that it anticipates considerable opposition to their conclusion [illegible] the Concession Law, which was the outcome of the "affaire Lyn[illegible] involving a financial liability on the part of the Treasury must be [illegible] Chamber, and it is certainly straining the interpretation of the preamble of the 1908 convention to maintain that the reallocation of the revenues assigned to the Hai[illegible] Pasha-Konia Eregli sections do not involve such liability. The opposition in [illegible] Chamber would doubtless be based on the contention that w[illegible] debts to meet its ordinary expenditure, there can be no ju[illegible] railway which, even on military considerations [illegible] is not necessarily [illegible]

The condition attached to the German company's relinquishment of its rights over the Bagdad-Gulf section, viz., that its share in the new Ottoman company should not be inferior to that of other non-Ottomans, coupled with the proposal made to His Majesty's Government, and forwarded in my despatch No. 120 of the 1st March, that the Ottoman Government's share should be 40 per cent., does not seem to afford much scope for obtaining such control of the Bagdad-Gulf line as would compensate for the absence of a free-trade country like England to the 4 per cent. customs increase, and the surrender of our position in Koweit. A combination by which the Ottoman Government's share should be reduced to 10 per cent. [illegible] increased to 30 per cent. the Anglo-F[illegible] than that of Turkey and Germany combined- might [illegible] especially if Turkey consented to recognise our position in Bahrein and Katar [illegible] recently been hinting that the Turks will have to [illegible] between Berlin and London, following the [illegible] Potsdam interview, and that we perhaps could secure [illegible] by unofficial pourparlers with Germany. I understand that my Ge[illegible] Baron Marschall, is proceeding to Berlin in a few days, and the [illegible] on Herr Kaiserlich Waechter the desirability of Germany [illegible] England with a view to a friendly solution. On the other hand, the present Turkish Cabinet feel that the Potsdam interview, where matters Turkish were discussed without previously consulting the Ottoman Government, was a severe blow to the latter, and they are anxious at least to appear to come to a settlement of Persian Gulf matters with England direct. At the same time, the proviso that in the event of the failure to [illegible] English Company, the German company [illegible] under the original concession, would seem to point to t[illegible] desire to be prepared for all eventualities, *e.g.*, the breakdown of the Anglo-[illegible] negotiations on the subject. It is said that one of [illegible] these negotiations is to obtain free access to the Persia[illegible]

On general grounds it would seem that the removal of the main causes of rivalry and friction between Germany and England and France here, if not in a wider sphere, [illegible] parties concerned. Turkey has always trad[illegible] Ottoman elements, and on the discords and jea[illegible] of the Great Powers. Even Greeks, Bulgarians, and Albanians have lately shown si[illegible] of a desire to lay aside their mutual dissensions, and it might be to the general in[illegible] that the same tendency should, if possible, be manifested in the international sph[illegible] [illegible]

It is to be anticipated that the German company will now lose no t[illegible] negotiating with Turkey for the construction of the Khanikin branch.

I am,
GERALD LOWTHER.

Enclosure in No. [illegible]

Extract from the "Stambul" of March 20, 1911.

LA NOUVELLE CONVENTION

a. Tronçon Helif-Bagdad

ARTICLE 1er. Le Gouvernement a décidé de continuer la construction [illegible] section Boulgourlou-Helif jusqu'à Bagdad, la prolongeant ainsi d'environ 600 kilom[illegible]

Art. 2. La compagnie renonce à l'affectation des nouveaux revenus destinés à [illegible] l'allocation annuelle spécifiée à l'article 35 du contrat du 5 mars, 1903, et les frais d'exploitation, accordée pour la construction et l'exploitation du tronçon Helif-Bagdad :—

(1) La somme à payer à la compagnie en vertu de cet article 35 sera versée sur le reliquat de l'excédent des revenus nets de la Dette publique appartenant au Gouverne[illegible] [illegible] l'article 7 de l'appendice du décret du 28 moharrem, 1299 [illegible] la surtaxe douanière de 3 pour cent. La compagnie renonce aussi à [illegible] droits découlant des contrats échangés précédemment concernant le produit de la surtaxe de 4 pour cent que le Gouvernement ottoman essaie d'établir [illegible] Cette somme sera acquittée sur l'excédent de recettes des dîmes qui a été [illegible] comme garantie kilométrique du tronçon des 200 premiers kilomètres de [illegible] Bagdad et des lignes ottomanes d'Anat[illegible]

Art. 3. Le projet et les plans de la ligne Helif-Bagdad devront être transmis au M[illegible]

Art. 4. La compagnie a le droit de demander au Gouvernement ottoman d'émettre, en bloc ou séparément, les séries d'emprunt 4, 5, et 6, chacune de 54,000,000 de francs, [illegible] partir de la signature de la présente convention et s'engage à achever, dans le délai [illegible] à partir de l'approbation des projets de prolongement jusqu'à Bagdad [illegible]

Art. 5. Les séries d'emprunt de 4, 5 et 6 seront soumis aux clauses des séries 2 et 3 spécifiées dans le contrat du 2 juin, 1908, savoir :—

1. Chacune des nouvelles séries sera de 54,000,000 de francs [illegible]
Seront affectés à ces séries les crédits spécifiés à l'article 2 du présent contrat [illegible] compagnie fixera les délais de paiement des coupons ainsi que la répartition des parts des nouvelles séries en parts d'une et cinq actions.

Art. 6. La compagnie affectera aux travaux de prolongement de Boulgourlou à Bagdad la totalité du produit des séries nouvelles à partir de 2 jusqu'à 6, et en particulier à ceux de Boulgourlou-Helif le produit des séries 2 et 3.

b. Tronçon d'Alexandrette

Article 1er. Le Gouvernement ottoman accorde, aux conditions suivantes, à la Compagnie du Chemin de Fer de Bagdad la concession de construction et d'exploitation d'une ligne à large voie entre Alexandrette et Mustapha Bey ou Osmanie.

Art. 2. Les conditions de cette concession sont les mêmes que celles de la [illegible] du 5 mars, 1903, non modifiées par le présent contrat.

[illegible] prendra fin en même temps que celle du tronçon situé entre [illegible] de la ligne de Bag[illegible] Travaux publics [illegible] le neuf mois.

Art. [illegible] Les travaux devront être terminés dans un délai de deux ans à partir de [illegible] approbation.

Art. 6. La compagnie construira cette ligne comme elle l'entendra, à ses risques et périls, sans demander aucune garantie ou secours au Trésor. Les produits de ce tronçon non afférents à la ligne de Bagdad reviendront à la compagnie, dans les limites des clauses de l'article 7.

Art. 7. Des revenus bruts journaliers du tronçon, on déduira les dépenses annuelles nécessaires pour l'exploitation et pour l'entretien et le renouvellement du matériel ainsi que l'amortissement à 6 pour cent du capital dépensé pour les travaux de premier établissement et supplémentaires.

La somme nécessaire à l'exploitation, aux travaux de premier établissement ainsi qu'aux travaux supplémentaires sera fixée par l'assemblée générale des actionnaires. [illegible] bilan sera transmis au Ministère des Travaux publics.

Si les revenus bruts ne suffisent pas à couvrir les deux sortes de dépenses spécifiées précédemment, la différence sera portée en "compte d'attente" avec intérêt à 5 pour cent et sous le titre de "déficit des revenus nets."

Si, au contraire, les produits bruts sont supérieurs à ces dépenses, l'excédent sera affecté à éteindre ce "déficit" susdit. Le déficit étant, 50 pour cent du dividende appartiendront à l'État et 50 pour cent à la compagnie.

Art. 8. Les actions à émettre pour la construction de la ligne [illegible] timbre.

Art. 9. Les articles 45 et 46 de la convention du 5 [illegible] applicables au tronçon qui fait l'objet du présent contrat.

Art. 10. Le Gouvernement ne pourra acheter ce [illegible] temps celui de Boulgourlu-Hedf [illegible] la fin de la concession sera égale au produit [illegible] 6 pour cent des dépenses de premier [illegible] L'État acquittera, en outre, " le de[illegible]

Art. 11. Dans le cas où des tarifs communs seraient établis entre les lignes de Bagdad et le tronçon dont il est question, ils seront répartis proportionnellement aux distances parcourues sur les deux lignes.

III. Le Port d'Alexandrette.

Article 1er. Le Gouvernement ottoman cède à la S[illegible]rt de Haidar Pacha la concession de construire un port à Alexandrette [illegible] bateaux d'accoster directement les quais.

[illegible]ditions de cette concession sont identiques à celles de la convention en date du 3 (15) mars, 1899 (1315), concernant le port de Haidar-Pacha, sauf les modifications apportées par le présent contrat.

Art. 3. La durée de la concession expirera en [illegible] temps que la concession de la partie de la voie ferrée de Bagdad se prolongeant entre Hedf et le 200e kilomètre de la voie.

Art. 4. Les projets afférents à la construction du port devront être soumis au Ministère des Travaux publics au plus tard dans un délai de quinze mois à partir de la date de cette convention.

Les tarifs à ap[illegible]

Art. 5. Les [illegible] présente convention [illegible] le quatre ans après [illegible] à Papaz pour [illegible] échelle sera [illegible]

[illegible] de son droit dans l'intérêt [illegible] construction du port d'Alexandrette, le droit sera annulé et le Gouvernement pourra céder à un tiers le droit de construction d'un port ou d'une échelle à Papaz.

Art. 7. Les titres qui seront émis par la société seront soumis au droit de timbre.

Art. 8. La compagnie procédera à la construction des quais, sans exiger du Gouvernement [illegible] Gouvernement sauf la contribution prévue à l'article 10.

Art. 9. Les recettes du port d'Alexandrette ainsi que celles de l'échelle de Papaz, si elle est construite, ne seront pas comprises dans celles du port de Haidar-Pacha.

Art. 10. Sur les recettes brutes du port d'Alexandrette et de l'échelle de Papaz, si elle est construite—les recettes provenant de l'emploi des fonds de réserve de la compagnie non comprises—seront prélevés: (1) Les frais d'administration, de construction, de renouvellement et d'entretien des machines, et (2) les intérêts de 6 pour cent et l'amortissement jusqu'à la fin de la durée de la concession du capital nécessaire pour les travaux de fondation.

Le montant du capital en question sera fixé par les bilans confirmés par l'assemblée générale des porteurs de titres. La compagnie est tenue de communiquer ces bilans au Ministère des Travaux publics.

[illegible] ainsi que les frais susindiqués, le déficit sera porté en [illegible] crédit à 5 pour cent et sous le titre de " déficit des revenus [illegible] en attendant que l'augmentation des recettes en permettent l'amortissement.

L'augmentation ultérieure des recettes sera affectée tout d'abord au règlement des susdits suppléments de frais. Une fois ce chapitre clôturé, l'excédent des recettes sera réparti comme suit :—

1. Si les recettes nettes de la ligne d'Osmanie et de Moustapha Pacha–Alexandrette [illegible]

du port d'Alexandrette sera affecté en premier lieu à combler d'abord toute différence en moins sur les recettes de la ligne d'Alexandrette et ensuite à la clôture des comptes de la li[illegible] recettes annuelles sera [illegible]

Art. 11. Le Gouvernement ne pourra racheter la concession du port d'Alexandrette et de l'échelle de Papaz, si elle est construite, qu'à condition d'acheter en même temps [illegible] du Chemin de Fer de Bagdad entre Boulgourlou et He[illegible]

Art. 12. La compagnie s'engage à ne pas céder à un tiers la concession du port de Haidar-Pacha, ni cédé du port d'Alexandrette et de l'échelle de Papaz, si elle est construite.

Art. 13.—Les dispositions de l'article 19 de la convention en date du 3 (1[illegible] 1315 (1899), ne sont pas applicables au port d'Alexandrette et à l'échelle de Pa[illegible] si elle est construite.

Minutes

The interesting communication will be the one which Rifaat Pasha was to give Sir G. Lowther on the 23rd March (see the first page of this despatch) about the Gulf [illegible] and El Katr are important: if we could get a [illegible]ent of these questions it would be a distinct accomplishment, and we [illegible]ly assent to the customs increase without such a settlement. The attitude [illegible]y during these negotiations will be curious to watch. She apparently has [illegible] by a settlement, and therefore may urge moderation on the Turks. On the other hand, it might be unwise to confide in her until she comes out into the open, as it is always possible she is up to double-dealing.

Mr. Mallet to s[illegible]

A. P.

Foreign Office, March 27, 1911.

[illegible] to me important steadily to keep in mind the main object we have in [illegible]ely, the safeguarding of British interests in the Persian Gulf and, subsidiarily, [illegible]ia. It was because we considered those interests threatened by the germain monopolistic railway scheme that we have declined to assist Turkey, or German financiers, in carrying out that scheme. Our attitude has resulted in impressi[illegible]y of obtaining from Germany a freer hand in regard to the Bagdad-Gulf section of the railway, so that Turkey now has something to offer to us, [illegible] return for which we are expected to consent to increase of customs and to allow British money to be made available for the railway. It is the customs, and our hold [illegible]r Koweit, which have been the lever by which we are beginning to secure some success. This lever is available as against Turkey, and it is from Turkey that we want a satisfactory arrangement respecting the position at Koweit and generally on the littoral of the Gulf. Therefore we should do well to continue negotiating with *Turkey*.

It is true that we are also desirous of coming to an understanding with Germany, but this seems to me, at this stage, not the primary, but the secondary, consideration. It is probably more important to us to get a favourable settlement of the Gulf question in general than to agree about the exact proportion of British participation in the railway.

It is moreover only too likely, because in accordance with our long experience of German diplomacy, that if we were to agree to negotiate with Germany direct, she would after driving the hardest possible bargain with us, finally turn round to the Turks and, by some systematic misrepresentation such as their inspired organs are masters of, get Turkey to believe that it was England that was contemptuous of Turkish interests.

If we do not get satisfaction out of the Turks as regards our position in the Gulf we shall gain practically nothing by any agreement with Germany. On the other hand, a direct negotiation with Germany might bear no direct fruit, and yet we might still come to a satisfactory arrangement with Turkey. Everything therefore points to the wisdom of negotiating direct with Turkey in the first instance and as the most important part of any attempt to carry out our policy.

[illegible] ation which we may carry on simultaneously with Ger[illegible] planned to be subject to the reservation that it can lead to no agre[illegible] time of mutually satisfactory terms from Turkey. By making this [illegible] hope to enlist German support in inducing Turkey to come to [illegible] terms, and I see no reason why we should not ask Germany definitely to use her [illegible] influence in that direction.

This presupposes that, as a preliminary, we have made it quite clear to our own minds what British requirements are, and I would strongly deprecate entering in[illegible] further discussion with Germany unless we have reached that state of clearness.

E. A. [illegible]

Foreign Office, March 27, 1911.

R. P. M.

E. G.

11046 P

Sir G. Buchanan to Sir Edward Grey.—(Received March 1.)

(No. 67. Confidential.)

Sir,

St. Petersburgh, March 22, 1911.

WITH reference to your despatch No. 71, Confidential, of the 8th instant I have the honour to state that, in the course of a conversation which I had with him this morning, Mr. Williams informed me that the negotiations which he has been conducting with the Minister of Finance on the subject of a scheme for the construction of a railway from Julfa to Tabreez have been somewhat delayed owing to the Ministerial crisis. The Russian Government, he said, wanted to keep the control and working of the line in their own hands and to come to terms with his syndicate for its financing and construction. All that they have to offer in the way of guarantee is the stock amounting to 4,600,000 roubles, which they hold in the existing road concession. The success of the negotiations will depend apparently on whether they are al[illegible] such a manner as to offer any real security to intending investors. Th[illegible] fore any definite arrangement can be concluded, have to obtain [illegible] projected railway from the Persian Government, and I gath[illegible] from what Mr. Williams told me that they would prefer not to do this immediately, though he m[illegible] at once that one of the chiefs of the Ministry of Finance would probably proceed shortly to Tehran in connection with this railway project.

From a strategical point of view the railway would be of advantage to Russia in the event of a Turkish occupation of the Urumiah district, while it will also no[illegible] promote her commercial intercourse with Persia.

I may mention that Mr. Williams does not seem to take the same keen interest in this scheme since his attention has been attracted to another one for the construction of grain elevators in S[illegible] necessitate the formation of a syndicate with a capital of some [illegible]

I have, &c.

GEORGE W. BUCHANAN.

(11030) No. 137.

Sir E. Goschen to Sir Edward Grey.—(Received March 27.)

[illegible]

Berlin, March 24, 1911.

[illegible] semi-official "Norddeutsche Allgemeine Zeitung" of the agreements recently concluded between the Ottoman Government and the Bagdad Railway Company.

This communiqué has been received with the greatest satisfaction by the rest of the German press, and all the most important newspapers have jubilant articles on the subject.

The "Kreuz-Zeitung" says that the agreements have given equal satisfaction in [illegible] obtaining the concession for the building of the Alexandretta Osmanieh branch line.

[illegible] Turkey by the renunciation by [illegible]

It particularly points out that the renunciation of its claim to the proceeds of the [illegible] contemplated 4 per cent. customs increase has simplified matters for Turkey, and will prevent the consent of other Powers to that increase being used as a lever to extract unwilling concessions from her, or to exercise pressure on the Sublime P[illegible]

It appears from this observation that, in the opinion of the "Kre[illegible] release by the company of the proceeds of the 4 per cent. increase [illegible] of all opposition to that increase on the part of other Governments.

The article goes on to say that by the present agreements Turkey has gained greater freedom of action, and has in any case gained time, so that she can approach any [illegible] or forced into decis[illegible] such as those put forwa[illegible] regards Koweit.

"[illegible]," it adds, "and the German concessionaires lie under any necessity of [illegible] to any immediate decision with regard to any concessions which may be [illegible] by other Powers interested.

[illegible] turns more particularly to the question of the southern section of [illegible] Railway, and in that connection it sounds a note of warning. It says that while the postponement of international difficulties as regards the railway up to Bagdad may be regarded with satisfaction, the postponement of the difficulties regarding the [illegible] exercise of the greatest circumspection and vigilance. It was true that in renouncing its right to construct this section the company had stipulated that the German share in the new company to be formed should not be less than the share of any other non-Ottoman Power. The French press had objected [illegible] part of the company was illusory, as the Germans and the Turks could always outvote the French and the English. This was, however, no certainty, and it might easily happen that, if German capital was only assured a share equal to that of other Powers, circumstances might arise in which an Anglo-French combination might gain the upper hand. "We must therefore," it continues, "not shut our eyes to the danger that the influence of German capital may become illusory, that England from the south may get the deciding influence over the Bagdad Railway, and the Suez Canal drama be [illegible] again. In this way England is seeking real and lasting advantages, both p[illegible] commercial. Germany, on the other hand, politically [illegible] ciple of the [illegible] advantages which it is desired to obtain by them.

This article has every appearance of being inspired by the Imperial Foreign Office, and if it is so, the somewhat pessimistic remarks as regards the Gulf section of the line and the solemn words of warning addressed to the directors of the Bagdad Railway Company need not be taken very seriously. These remarks and warnings do not appear to me to have a very true ring, and I think they may be taken as an attempt not to appear too jubilant over what most of the German papers hail as a "triumphant [illegible]

The "Kölnische Zeitung" expresses complete satisfaction with the agreement. It reminds its readers that it was not so long ago that in Germany as well as in France [illegible] realisation only in the distant future. But the German financial group which was [illegible] a shadowy dream might now be regarded as being well within the range of practical [illegible]bilities.

In another place, the article remarks that the Bagdad Railway Company had done Turkey very good service by giving up its claim to the proceeds of the 4 per cent. [illegible] fearing that the proceeds would accrue to the benefit of the company. But now the [illegible] had furnished the guarantee which you had stated in the House [illegible]

of Commons to be indispensable for the safeguarding of British commercial interests, which was that the yield from the customs increase should not benefit a line the completion of which was calculated to injure those interests. This being so, it might be assumed that no further obstacles would be placed in the way of Turkey opening up a [illegible] of revenue in the manner which she contemplated.

I have &c.

W. E. GOSCHEN.

Enclosure in No. 107.

[illegible] "Norddeutsche Allgemeine Zeitung" of March 23, 1911.

[illegible]

AS has already been announced elsewhere, various agreements [illegible] yesterday at Constantinople between the Turkish Government and the German Bagdad Company to ensure the completion of the construction of the line as far as Bagdad.

The object of these treaties is to place the construction, which was already ensured by the original concession, on such a financial basis that [illegible] years can be [illegible]

Three agreements come into consideration. In the first, guarantees are given to the company instead of their claims on the yield of the 4 per cent. customs increase, which was planned, but hitherto refused by the Powers. These guarantees permit the company construction within 5 years after the sanction of the plans. The company is [illegible] by enabled also to commence construction [illegible] they were therefore [illegible] to enter into an obligation to keep the term of 5 years.

In the second agreement, the company are granted the construction of a branch line from Osmaniyeh to Alexandretta, which will establish the shortest line from Aleppo to the Mediterranean.

A third agreement grants to the Bagdad Company the development of the natural harbour of Alexandretta, on the same conditions on which the construction of the harbour of Haidar Pasha at the point of egress of the Anatolian Railway opposite Constantinople was granted to it.

[illegible] to the continuation of the line from Bagdad to the Persian Gulf [illegible] detailed agreement has yet been concluded. Nevertheless, on the occasion of the conclusion of the other agreements, the Bagdad Railway as holder also of the concession for the Gulf section, has repeated to the Turkish Government, for this portion of the line, the offer which it had already made in 1903 for the entire Bagdad section. This offer was and is to the effect that the construction should be transferred to a [illegible] company, in which, while the acquired rights of the first company were taken into account, both the Turkish Government and capital of other countries should participate.

In 1903 this offer failed, in face of the refusal of British capital to participate in [illegible] of its demands for control over the final Gulf section.

By the conciliatory attitude of the German Bagdad Company, the Turkish Government has once more been afforded the possibility of making advances to British capital and of inviting its co-operation, though, it is true, its maximum is not to exceed [illegible]

[illegible] taken with a view to this object fail, nothing will [illegible] Railway Company but to undertake the construction of the end [illegible] themselves. The result of the negotiations to be undertaken with the [illegible] not can be awaited with tranquility.

[illegible] result of the present negotiations is, at any rate, the certain prospect [illegible] years the mighty work of a railway communication from Constantinople to Bagdad, the practicability of which has so often been doubted and in the way of which so many natural and artificial obstacles have stood, will have been [illegible]

We shall then with pride be able to look upon a new monument of [illegible] German industry and persevering German enterprise, which will at [illegible] benefit to large tracts in Asia Minor and will [illegible] Ottoman Empire.

11287] No. 197*

Sir G. Barclay to Sir Edward Grey. (Received March [illegible])

No. 98. (Telegraphic.) [illegible]

RAILWAYS.

In continuation of my telegram No. 92 of the 24th March, I have the honour to report that Nasr-ul-Mulk's private secretary called on me to-day to suggest confidentially that the Regent, M. Poklewski and myself should discuss a general scheme of railway construction in Persia, unofficially, together. In reply, I informed him that I had received no instructions to discuss railway questions, but I promised that I would telegraph Regent's suggestion to you confidentially.

Please refer to my telegram No. 26 of the 21st March. In [illegible] said he [illegible] palatable to the Persians.

He further stated that he was not instructed to make a similar communication to M. Poklewski. In these circumstances I shall not speak to my Russian colleague until I learn your views on the subject. M. Poklewski knows, however, what passed during the interview granted by the Regent to Mr. Greenway.

10752

TRANSPORT

h January

many whether in our view they could opportunely approved. Persian

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11020

Foreign Office, March 27, 1911

Sixth anniversary of your telegram

and Fall of Mr

11296

(cf. March 28.)

Constantinople, March 16, 1911

Sir Arthur

I HAVE not troubled you with letters since my return to Constantinople, in the first place because I know how busy you are, and in the second place because I have Ambassador fully informed of anything that has come to my knowledge, and I I knew was seeing you from time to time

Vizier met with Djavid Bey on th of them that the partici

that their proposals on this point would be unacceptable he said that it would be possible to meet them by increasing the share for each country from 20 per cent. to per cent., or even more, but that the Germans, he thought, would not be willing to accept any arrangement which would give them a smaller share than any other country He added that he already noticed a stiffening in the German attitude, in consequence of Sir Edward Grey's full recognition of the rights of the existing concessionaires. I replied that he was hard to please if he complained of Sir Edward Grey's speech, since the statements made were precisely similar to those made by the Grand Vizier in the Turkish Chamber a few days before, and added that Sir Edward Grey had to reckon not only with Germany, but with opinion in England, which had hitherto refused to recognise accomplished facts

As regards the participations, I am inclined to think that our interests would only protected if we had 40 per cent. as against 20 per cent. each for Germany and Turkey. This would give us a majority in combination with any one of the three parties, and would also give us a claim to the chairmanship. If our

of Pr sh com

argument, but I am inclined to think that its practical importance is often exaggerated In a customs tariff preferences may no doubt be given in the manner suggested by Mr Balfour, for instance, cotton yarn of particular counts, or cotton goods of particular

categories, may be taxed at a lower rate. It would hardly be [illegible] fine distinctions in the case of railway tariffs; for instance, on the Anatolian Railway [illegible] class, with a large number of other articles. The great bulk of the Mesopotamian trade is in cotton goods, and I cannot believe that it would be practicable to manipulate railway rates for cotton goods [illegible] existing trade. Even if minute distinctions between different kinds of cotton goods were [illegible]

I am not aware that there is any authenticated instance in which the Anatolian Railway discriminates, directly or indirectly, in favour of German goods.

I am very glad to see that the tone of the English press is, on the whole, more reasonable and more conciliatory than it has been in the past; but, even under the most favourable conditions, discussions in the press are likely to prejudice the negotiations. I venture to suggest that the longer the negotiations last the less the prospect of success, and that as rapid a rate of progress as is possible is a matter of real importance.

Conversations have taken place between Bompard, the Ottoman Bank, and the [illegible] on has got so far as has been alleged in the newspapers. The idea, I think [illegible] both sides is to find a means of reopening the French market, and it is thought that [illegible] French for relaxing their conditions. As regards the lines on which the money [illegible] be spent, the Samsoun Sivas line has been suggested, with prolongations to E[illegible] [illegible] plication. The Danube-Adriatic line has also been spoken of, but this [illegible]

If Anglo-French co-operation in Turkey is to be established, it appears to me that these railway schemes, and in particular the Samsoun Sivas Erzeroum Van line, offer suitable grounds for co-operation. There are no established interests on the part of either country, and the field is open. Offers from Sir John Jackson's firm for [illegible] and construction of these lines, on terms to be negotiated, are [illegible] rnment.

[illegible] ester scheme appears to be making progress. German opposition has been conciliated—I do not yet know in precisely what manner, and I learn [illegible] that the German influence has not only ceased to be adverse, but [illegible] used in favour of the scheme [illegible] and I have little doubt that the [illegible] they tell me a day or two [illegible] the option. I also am inc[illegible] [illegible] netail terms of the concession [illegible] as regards the conditions and also as regards the *trace* of the line.

It is, I believe, quite decided that Nazim Pasha, the Vali of Bagdad, is to be recalled. I am sorry for this, for, though he has given trouble by his arbitrary methods, he has certainly not [illegible] If unfriendly to English interests or to t[illegible]

Yours, &c.
H. BABINGTON SMITH

(9933) No. 201

Government of India to the Earl of Crewe.—(Received at Foreign Office, March 28.)

(Telegraphic.) P[illegible]

March 17, 1911

RUMOUR is reported, for what it is worth, by Political Agent, Bahrein, to [illegible] fect that an attempt to get a lien on Ras Tanura, as a terminus for the Bagdad Railway is being made by the Germans. It was also stated by Political Agent's informant, a commander of one of the small coasting steamers belonging to British India, that a survey could quite well be made without the knowledge of anyone in Katif.

Earl Grey to Sir F. Bertie

No. 111

Foreign Office, March 28, 1911

I SAW M. Cambon with Sir Arthur Nicolson to-d[illegible]

M. Cambon informed us that the French Government wished to secure cert[illegible] railway concessions in the north of Asia Minor, which were being applied for by a Russo-French group. They wished to complete the system of Syrian railways, and, as for a part of its length the Hedjaz Railway co-ordinated with one of the French railways, they wished this length of the Hedjaz Railway to be conceded to the French. Further, [illegible] the Danube Adriatic Railway project in which they were interested [illegible] d that I assumed that, if they were satisfied on those points, they would then [illegible] epared to give their consent to the 4 per cent increase of the Turkish customs dues, and to consider that an agreement had been come to about the Bagdad Railway generally.

M. Cambon assented, but said that the consent of the French to the increase would [illegible] endent upon an accord having been con[illegible]

[illegible] satisfactory arrangement about the Bagdad Gulf section of the Bagdad Railway that would secure for us two things. The first thing was that British trade should be sure of perfectly fair treatment on the whole of the Bagdad Railway system. We could [illegible] rates would then be a matter in which we should have our say. The second thing we wished to make sure was that the strategic position in the Persian Gulf should not be altered to our disadvantage. We did not wish to press that the Bagdad Railway should be continued to the Persian Gulf, but we wished to secure that, if it did reach the Gulf, it should do so at a place and under conditions such that the present strategic position would not be prejudiced. I should discuss those two points with the India Office, which was specially interested in the strategic conditions, and with the Board of Trade, which was interested in the commercial conditions. I should then make a counter-proposal in reply to the Turkish proposals, which would certainly not do as they stood. But, as the Germans could upset any arrangement which was come to with the Turks, I thought we should probably tell the Germans frankly what were the things which we wished to secure, and find out whether they were willing to agree to cond[illegible] by which they would be secured. If we found that an agreement could be [illegible] should tell M. Cambon what the agreement was to be, and I should say to the [illegible] that we would not conclude it and give our assent to the customs increase until the French Government also were satisfied on the conditions which he had indicated to me.

M. Cambon entirely accepted this statement of our position.

I am, &c.
E. GREY

11423 No. 202

Sir G. Buchanan to Sir Edward Grey.—(Received March 28.)

No. 7

St. Petersburgh, March 28, 1911

[illegible] try of Foreign Affairs have sent me an *aide-memoire* on the subject of the proposed Mohammerah Khorramabad line, of which the following is a summary:—

The Russian G[illegible] has within the neutral z[illegible] since the two [illegible] ght apply for in that zone. [illegible] raw attention to the fact that [illegible] projected line will lie near the borders of the Russian zone [illegible] that Russian economic interests will therefore be necessarily prejudiced by [illegible] y therefore fear that Russian public opinion will view with extr[illegible] ntavour the acquisition of such a concession by Great Britain.

he Russ[illegible] ernment therefore view with pleasure the declaration of His [illegible]

Majesty's Government that at present their only intention is to secure a concession [illegible] this line, and that they will enter into a friendly exchange of views with the Russian Government before taking any steps for its construction, in order that all questions connected with the eventual realisation of the enterprise may be settled by [illegible] agreement between the two Governments.

[illegible] Government thank His Majesty's Government for their frank statement that they have no objection to British capital participating in the [illegible] by Russia of railways in Northern Persia.

The *aide-mémoire* was forwarded to me by M. Nératow in a private letter, in which he states that from its terms I may conclude [illegible] official is not [illegible] the Russian Government.

[11080] No. 208

Sir Edward Grey to Sir G. Lowther.

(Telegraphic.) P. *Foreign Office, March 28, 1911.*

THERE is a parliamentary question on the 29th March, regarding the financial arrangement arrived at respecting the sections of railway between Bagdad and the Persian Gulf, and the nature of compensation which company secures in return for [illegible]

I should therefore be pleased if you would telegraph substance of communication proposed you by Minister for Foreign Affairs (see your despatch No. 183 of the [illegible]).

11438

Sir G. Lowther to Sir Edward Grey.—(Received March 29.)

(No. 190. Confidential.)

Sir, *Pera, March 23, 1911.*

IN continuation of my despatch No. 183, Confidential, of yesterday's date, I have the honour to transmit the text of the declaration made by the Bagdad Railway Company renouncing its rights conditionally to the Bagdad Gulf section and the ports of Bussorah and the terminus. This was handed to me to-day by Rifaat Pasha with the assurance that, though not verbatim, it was practically the text, and that there was nothing beyond this. His Excellency, in reply to my enquiry as to a rumour to the effect that the Turkish Government had undertaken to keep the German Government fully informed as to the course of the negotiations with the British Government, declared that there was no truth whatever in the statement.

No renouncement of the right to build the port of Bagdad provided for by article 22 of the convention of 1903, appears to have been made on the present occasion. Rifaat Pasha did not know whether it had been the subject of negotiation [illegible] to be paid by the Turkish Government to the [illegible] for the construction and working of the Half Bagdad section. I [illegible] table, in my despatch already referred to, showing that the amount would be about £T 400,000, while the surplus receipts assigned by the Government should yield about £T 405,000.

This calculation was, however, based on the returns for one year (1910–11), and I have now had a further calculation made, taking the average results of tithe revenue purposes for five years, without allowing for almost certain increase, which works out at considerably less in favour of the Government, for, as you will see from the enclosed memorandum, instead of there being a slight surplus, there is an apparent insufficiency of £T. 208,000. This may have some academic interest.

I [illegible]

GERARD LOWTHER.

Enclosure 1 in No. 205.

[illegible] by Bagdad Railway Company.

LA Compagnie de Bagdad se désiste de sa concession de 400 à 500 kilom. de [illegible] de fer, à partir du Golfe Persique, ainsi qu'à sa concession d'un port à [illegible] le Golfe Persique, en faveur d'une nouvelle compagnie ott[illegible] [illegible] Bagdad consent à être en minorité vis-à-vis du capital [illegible] [illegible] sont égale à celle du capital d'une [illegible] compensation pour la perte subie par elle par suite de sa renonciation aux 500 kilom. plus haut mentionnés, et dont la construction est plus facile et moins coûteuse que le restant de la ligne de Bagdad.

Enclosure 2 in No. 205.

Statement regard ng Payments by the Turkish Government to the Bagdad Railway Company.

THE revenues to be set aside for the payment of the annuity of the Half-Bagdad section of the Bagdad Railway are, according to article 2 of the text of the new convention published in the "Tanin" of the 20th instant, the following:

1. Government share of the surplus of the ceded revenues, not including the 3 per cent. customs surtax.

2. Surplus of the tithes already set aside for the service of the annuity of series I. Konia Eregli section.

3. Surplus of the tithe [illegible] ment of kilometric guarantees of the Anatolian [illegible]

The Government share of the surplus of the ceded revenues for the year 132[illegible] (1910–11), excluding the customs surtax of 3 per cent., is estimated at £T 600,000, and which may be taken as a basis for est[illegible]

Surplus of Tithes for first 200 kilom. of Bagdad Railway. Konia Eregli Section.

The amounts for this section is £T 97,118.10. To meet this the G[illegible] assigned the following revenue:

	£
To be paid annually out of the tithes of the districts of Aleppo and Urfa	[illegible]
From tithes of the cazas of Tchoukhur Saad, [illegible]	
Lidik, Bagdad [illegible]	
Mardin, Diarbekir [illegible]	
Siirt, Mosul	
	[illegible]

The annual collection of these revenues since 1905–6 has only once exceeded the annuity, and has never reached the amount estimated by Government. The total encashments [illegible] of the annuity [illegible]

The deficiencies of each year from 1905–6 to 1908–9, were made up from the [illegible]

It is, however, more than probable that the tithe revenues of the districts mentioned [illegible] considerably more than the fixed amount shown as the contributions of each

district. This assumption is confirmed by the figures of tithe retur[illegible] official almanac (Salnameh) of the Aleppo province fo[illegible]

[illegible]

not of which these two sanjaks only contribute £T. 70,000 towards the annuity of £T 97,120.

4.—Surplus of Tithes assigned to the Anatolian Lines

[illegible] Statement (A) annexed to the memorandum of the 21st February [illegible] of the surplus [illegible] the disposal of the Government, it will [illegible] seen that t[illegible] average of the gross surpluses, after payment of k[illegible] it at £T [illegible] (£2 18s.)

The surpluses as far a[illegible] shown are consequently [illegible]

The charges on these surpluses are the f[illegible]

[illegible] 004 km. of 4 ver[illegible]

[illegible] power amounts [illegible]

[illegible] of 400 kilom. will requ[illegible]

[illegible] 344 46

And there is therefore an apparent insufficiency of some £T 208,000 which will have to be provided for from the surpluses of the tithe revenue [illegible] to the payment of [illegible] the Konia Fregli section, and out of any increase of reven[illegible] which may be realised by the time the whole line is finished.

[11420] No. 298

Sir G. Lowther to Sir Edward Grey.—(Received March 29.)

[illegible] P. *Constantinople, March 29, 1911.*

BAGHDAD Railway.

You should receive to-d[illegible] referred to in your [illegible] No. 76 of yesterday's date, it was despatched from h[illegible] on the 25th [illegible]

The following is resume of its [illegible]

A [illegible] is to be formed for the construction of 400 or 500 kilom. of line [illegible] the Gulf, [illegible] of ports [illegible] Persian Gulf and at Bussorah, the Baghdad Company having renounc[illegible] right to execute these works.

The Baghdad Compan[illegible] however, makes condition that its participation in the new

[11570] No. [illegible]

Sir G. Barclay to Sir Edward Grey.—(Received March 20.)

(No. 90.)
(Telegraphic.) P. *Tehran, March 20, 1911*

RAILWAYS. Reference to your telegram No. 91.

I had believed that if a private British house asked for the concession app[illegible] I be more favourably received than if it came from His Majesty's Gov[illegible] Just. The R[illegible]ut's attitude (please refer to my telegram No. 96 of the 27th March) [illegible] ged the situation. Furthermore the success of a private [illegible] might complicate the discussion desired by the Russian Government before the concession is executed.

company, while it may not be less than the Ottoman share, shall be equal to any other Power taking part in the undertaking. As regards the question of compensation for the renunciation of the Bagdad-Gulf section, the Bagdad Company reserves the right of coming to an agreement with the new company.

It is understood that this compensation will take the form of a money payment, [illegible] that the expense which it is claimed has been incurred by the Bagdad Railway Company in excess of the construction guarantee on the more costly sections of the Konieh-Bagdad line shall be thereby made good.

[11573] No. 207

Sir G. Lowther to Sir Edward Grey.—(Received March 29.)

(No. [illegible] Confidential.)
T. [illegible] P. *Constantinople, March 29, 1911*

BAGDAD-BUSSORAH Railway.

With reference to your telegram No. 75 of the 27th instant, the two routes con[illegible] sidered by Money [illegible]

1. The German trace which crosses the Euphrates at El Rody and pro[illegible] via Ker[illegible], following the right bank of that river. This route is the sh[illegible] shortest. It will carry the Kerbela and Nejef pilgrim traffic; it is, howe[illegible] placed for serving the area [illegible]

2. A line which follows the right bank of the Tigris as far as Kut-e-A[illegible] [illegible] ends thence along the line of the Hai River, at which point it crosses the Euphrates [illegible] follows the German trace. This route would run on the embankment which Willcocks proposes, and is a little more expensive if constructed after the irrigation works have been carried out, while if constructed before these works it will be necessary to make a bank for the railway. There would result a substantial, though not prohibitive, cost. It would, however, as regards the irrigated area, be better [illegible] as no large river intervenes. It would be at a considerable distance from the [illegible] which will benefit by the Hindié barrage, as these lie nearer to the E[illegible]

A supplementary system of light railways would probably be required in order [illegible]ly to serve the area ultimately to be irrigated in both cases.

As Willcocks's plans are frequently changing, Sir Henry Babington Smith finds it [illegible] decided opinion, but the fact that the German trace is independent [illegible] is, in his eyes, a great advantage.

11422 No. 208

Sir Edward Grey to Sir G. Barclay.

(No. 96.)
(Telegraphic.) P. *Foreign Office, [illegible] 1911*

MOHAMMERAH KHORRAMABAD.

Petersburgh telegram No. 74 of the 28th March.

Unless you consider such action inopportune at the present juncture [illegible] make an application for a concession for a railway from Khor Musa to Khorramabad, [illegible]tion to build a branch to Mohammerah, and for a port at Khor Musa. In view of impending discussions in regard to British participation in Bagdad Railway, it is useful that we should obtain option to build line to Khorramabad as soon as possible, and it therefore appears desirable to make our application before beginning the discussion referred to in your telegram No. 96 of the 27th March. Presumably Russian Minister will ascertain the views of his Government, but there would be no objection, if Russian Government concur in Regent's proposal, to entering on the joint discussion with Regent respecting a general scheme of railway development immediately after you have made the applic[illegible]

You should be careful in making application for Khorramabad line to emphasise the fact that all we want in the first instance is an option, and that details can be settled subsequently. I leave it to you to decide whether it would be expedient to refer specifically, in the course of negotiations, to Shah's pledges as to British preferential rights in South Persia.

(11422) [illegible]

[illegible]

graphic) P. *Foreign Office, March 23, 1911*

ACTING Minister for Foreign Affairs should be warmly thankful [illegible]

11573] No. 210

Sir Edward Grey to Sir G. Lowther

[illegible]

(Telegraphic) P. *Foreign Office, March 20, 1911*

ARE there two places called El Baly on main line?

War Office are preparing map for Blue Book showing El Baly to be on Tigris about where 34th parallel intersects 44th degree of longitude, but according to your telegram No. 71 it is on the Euphrates.

[illegible] rapids precise post on

11021 No. 211

Foreign Office to India Office

[illegible] *Foreign Office, March 20,*

WITH reference to your letter of the 18th March relative to a rumour to the [illegible] are endeavouring to obtain a loan on the security of [illegible] railway, I am directed by Secretary Sir Edward Grey to transmit [illegible] herewith copies of telegraphic correspondence exchanged with His Majesty's Ambassador Constantinople on the subject.*

I am to suggest that an attempt may be made to discover the name of the British naval captain who suggested the information with a view to assist the enquiries of His Majesty's consul at Bussorah.

[illegible]

LOUIS MALLET.

11602

Mr. E. Grant Duff to Sir Edward Grey.—Received March 20.

[illegible]

SIR,

I HAVE the honour to [illegible]

I have, &c.

EVELYN GRANT DUFF.

Enclosure in No. 212.

Extract from the "Pester Lloyd" of March 23, 1911.

Koweit.

(Translation.)

THE latest apple of discord, with regard to which three of the Great Powers of Europe are interested, in the political field of Asia is called Koweit, which means in Arabic a small fort. It owes its existence to some adventurous and plundering Arabs, who carried on the locally honoured profession of piracy rather too zealously and were charged by the Bussorah authorities to [illegible] further afield. According to another account,

* Cf. Sir G. Lowther, No. 67, Telegraphic; Sir G. Lowther, No. 68, Telegraphic.

which we borrow from one of the Midhat Pasha's memoranda [illegible] settlers, who belonged to the Mateir tribe, came to Koweit from the He[illegible] ago, under the leadership of a certain Sabah. The family of that leader is still at the head of the population and for this reason the present Sheikh Mubarek is, when called by his full name Mubarek-es-Sabah. We do not propose to enquire how the former pirate colony became a flourishing port of more than 20,000 inhabitants, who, in the absence of arable land, mostly took to commerce and a maritime life. Koweit possesses over 2,000 large and small craft, which carry on trade with Bombay and Zanzibar, and take an important part in the pearl fishery. Strangely enough, the sheikh and his [illegible] have a reputation for justice. No one is molested in his territory, or [illegible] with special taxes and tribute. Thus, the largest and safest harbour in the Persian Gulf attracted the attention of the western countries and especially England as early as the beginning of last century, at the moment when the English determined [illegible] the Gulf of the numerous pirates, and thus protect trade with Persia and [illegible] Colonel Pelly, the British resident in the Persian Gulf, visited Koweit [illegible] and 1869, and in his official report of 1874 gives us the first insight into the conditions. In the first place he deals with the peculiar position of the Sheikh [illegible] Koweit and examines the question of whether his Highness is independent or tributary of Turkey, or whether he is under British protection, as has for some time been [illegible] This question, naturally, is closely connected with the building of the Bagdad Railway, or, more accurately, with the terminus of that line. The harbour of Koweit is far the best in the whole gulf and therefore the most suitable for commerce with Constantinople, Bagdad, Bussorah, and Bombay, while the harbour of Chor Abdullah, on the east coast of Bahrein Island, is smaller and only 4 fathoms deep.

The superiority of Koweit in this respect is what lends great significance to the whole matter, not only for economic but chiefly for political reasons, which are of vital importance. Without wishing to take sides for one party or the other, it must be admitted that the problem of her future position in the Persian Gulf is, having regard to India, one of paramount importance for England. It need only be observed that the Portuguese, the Dutch, and the Turks under Soleyman the Magnificent inaugurated and directed their Indian policy from the Persian Gulf. At the present time England could not permit a European Power to occupy a dominating position in the Persian Gulf without thereby tempting it to approach the west coast of India and she must [illegible] her supremacy as regards this point. England in Koweit [illegible] as protector of the independent sheikh, must oppose any aggression. In other words, she can permit no naval Power in the Gulf which, even in the far future might threaten [illegible] as a Great Power. In present conditions there are two Powers which call in question England's [illegible] respect and which are able and desirous of laying claims to Koweit. The first of these Powers is the Ottoman Empire, which, in the first half of the last century, I think in the forties, when Nameik Pasha was Vali of Bagdad, desired to overthrow the Sheikh of Koweit and annex his territory to the province of Bussorah. The scheme then failed. Koweit which up to that time had enjoyed freedom, refused to bear of [illegible] and customs, and a second attempt during Midhat Pasha's governorship also [illegible] immunity from taxation and Turkey proposed to be [illegible] nothing was changed. The Turkish flag [illegible] which considered himself, and behaved as, an independent sovereign who only recognised the Sultan in his religious capacity as [illegible]. If Turkey now intended to make effect to her right of possession, dating from the time of Sultan Soleyman, no one could dispute it from the legal point of view. It would, however, be neither wise nor advantageous to quarrel with England on the question, as Koweit has never paid a farthing tribute to the Porte; her ships formerly flew first the Dutch and then the British flag and she would have no more to say to Turkish sovereignty than Nedj, Hahreen, or any of the places on the east coast of Arabia. With the Turks England will be able all the more easily to come to an agreement because, as has been recently rumoured, the Bagdad Bussorah section of the line will be handed over to a special international company, which will of course respect England's treaty with the sheikh without morally injuring the position of Turkey. There remains the second Power, Germany, which, on account of the concession of 1903, feels she has a right to extend the railway south of Bagdad to the shores of the Persian Gulf and is said even to have already taken steps with that end. When Consul General Stemrich in 1909 was sent with a commission to study the prospected railway that commission proceeded as far as Koweit and till quite lately it was thought that Germany would insist on the extension to the Gulf. The news is therefore all the more

satisfactory that Germany, in return for other concessions, has given up the idea of a southerly extension, and has come to an agreement with Russia with regard to the [illegible] to Khanekin. Germany has, by doing this, given a rare example of ability and [illegible]ation. In the first place, Germany has proved, *urbi et orbi*, that in Asia Minor [illegible] is only actuated by purely economic motives, that the political designs attrib[illegible] her, among others, of colonising Anatolia belong to the domain of [illegible] peaceful development of our civilisation in the Near East is what lies close [illegible] Secondly, an end has been put to the continual pin-pricks and friction between [illegible] and Germany. Germany does not desire to get in England's way, or to share the fruit of a country's fighting in the Persian Gulf, which has cost much blood and money, but wishes to lighten the task of civilising India for a people of kindred race.

This policy is not only praiseworthy, but exceedingly practical. Whatever be the course of events in Persia, the entry of a third European Power into this part of Asia [illegible] at in the near future take such proportions as to be a source of great embarrassment not only to England but to Germany also. That Power is the only one which continues her conquests step by step, without pause, from her home land [illegible] the treacherous waves, but on her long chain of territorial possessions, and having once firmly set her foot in the whole northern half of Persia, her present game of pressure and delay will assume another form.

[10456.] No. 213

Viscount Morley to Government of India.—(Received at Foreign Office, March 30.)

(Telegraphic.) P. *India Office, March 18, 1911.*

BAGDAD Railway. Your telegram dated the 7th March. [illegible] d to final sentence of my telegram dated the [illegible] let me have your views as to participation without control, pre[illegible] absolutely secured in sense of your telegram dated the 2nd ultimo. Your observations are solicited on following points.

1. Do you consider that by agreeing to enhanced customs for fixed periods only, condition being made that no differential rates shall be imposed, we might secure equal treatment for British trade?

2. Does it matter from commercial point of view, whether we have 20 or 40 per cent share if we are not to have control?

3. Will not being left out altogether involve greater loss of prestige to us than [illegible] only 20 per cent? Apparently the alternative is to stand out and to endeavour to make use of customs increase to buy out claims of Turks in Gulf and at Koweit.

Bussorah will in that case presumably be the terminus, and we must rely for our trade with Western Persia on line from Khorremabad to Mohammerah, if we get it. [illegible] reached, and as Turkish power consolidates difficulty of continuing our good offices to sheikh will be increased.

Reference is invited, in regard to Koweit itself, to fifth paragraph of memorandum dated the 21st March 1902, by Lord Lansdowne, copy of which was enclosed in letter of the 14th April, 1902, from Secretary, Political Department, India Office, to Secretary to the Government of India, Foreign Department. Please let me have your defi[illegible] of region to which our obligation [illegible] boundaries on p. 1059, &c., of "Persian Gulf Gazetteer" has your acceptance. Do [illegible] Presumably no claim can be made to Um Kasr. As early a reply as p[illegible] is requested.

[11233] No. 214

Viscount Morley to Government of India.—(Received at Foreign Office, March 30.)

(Telegraphic.) P. *India Office, March 23, 1911.*

SIR G. LOWTHER telegraphed the 21st March regarding Bagdad [illegible] full swing effect.

[illegible] nature took place to-day of three conventions, relating (1) to construction to [illegible]ted in five years, of section from Haif to Bagdad; (2) to construction of [illegible] branch; (3) to cession of construction and working of Alexandretta port to Haidar Pasha Port Company. By a declaration made the German [illegible] right to the section from Bagdad to the Persian Gulf, but [illegible] equal to that of any other foreign Power in the new company, [illegible] right to settle with company amount of indemnity for losses arising out of working [illegible] guaranteed on sections to Gulf is also reserved to itself, and the right to ports [illegible]h and Gulf terminus is renounced."

[10801] No. 215

Government of India to Viscount Morley. (Received at Foreign Office, March 30.)

March 25, 1911.

[illegible] See your telegram dated the 18th instant. If Reuter is correct in stating that an a[illegible] nationalisation of Gulf section had been [illegible]luded between Germany and Turkey, and that a sha[illegible] to that of any other [illegible] the former, restitution of England's predominant [illegible] section to [illegible] possible. From British point of view, therefore, a serious situation [illegible] which forbids the adoption of a firm and consistent policy in the [illegible] ut with possibilities to our detriment in future. To secure [illegible] dated the 7th March is [illegible] first and essential condition of such a policy. A complete surrender would be involved by any hesitation upon that point, and further encroachments would be [illegible]aged by which new and worse difficulties with Sheikh of Bahrein, Trucial chiefs, [illegible] Muscat, would be created. Reference is invited to despatch [illegible] dated the 15th [illegible] from His Majesty's Ambassador at Constantinople [illegible] give my views in reply to enquiries as to participation mentioned [illegible]

1. Non imposition of differential rates against British trade can [illegible] [illegible] future, no other Power, it must be remembered, will agree to pay them [illegible] to [illegible]ently, essential to Turkey that we should be placated, and the loss which enhanced import duties would inflict on our g[illegible] be great [illegible] which our trade would incur were British trade even to be given differential treatment on Gulf as [illegible] without control. The stronger our [illegible] [illegible]ter to have 20 per cent. than nothing. In [illegible] our position in Southern Mesopotamia is placed on an equal footing with that of Germany and France, we obviously cannot fail to suffer great loss of prestige. Question is worth [illegible] whether refusal to discuss the matter further with Turkey until a more [illegible] most dignified policy at the present moment. There is every indication that Turks are likely to make a forward movement on Persian Gulf littoral, and to come into conflict with us over our interests and rights in these regions. We have to decide whether it would not be best course that first opportunity of a Turkish forward move should be seized and the move checked by using our naval forces to resist it. I propose to send separately reply without delay in regard to questions contained in penultimate paragraph of your telegram.

11719 No. 216

Sir G. Lowther to Sir Edward Grey.—(Received March 30.)

No. 7

(Telegraphic.) *Constantinople, March 30, 1911.*

BAGDAD BUSSORAH Railway.

In reply to your telegram No. 80 of the 29th instant, the name El Bob [illegible] small canal about 30 kilom. above Museyd, which leaves the right bank of the Euphrates 3 or 4 kilom. above the spot chosen for the railway crossing. Evidently [illegible] the Euphrates is correctly marked just above Kasr Iskenderi on the War Office [illegible] F.S.G.S. 2209, November 1907.

12280] No. 217.

Memorandum by Mr. Parker.

At the meeting which took place this morning it was decided that the reply to the Turkish proposals should be drafted on the following lines:—

The assent of His Majesty's Government to the customs increase shall be given *for a fixed period*, subject to the following conditions:—

(*a*.) The assent of all other Powers, and especially France and Russia, must be secured to the increase.

[illegible] company [illegible] formed for the line south of Bagdad. Of the capital of this company, which shall arrange both for the construction and the working of the line, 50 per cent. shall be British and the remainder German or Turco-German.

(*c*.) There shall be two British members on the Board, and the chairman shall, in alternate years, be British.

[illegible] shall be no sort of discrimination in freight to [illegible] Turkey connected with Bagdad.

The British representation on the Board shall *always* be kept up to a fixed [illegible]

(*f*.) Fifty per cent. of the capital of [illegible] the hands of British shareholders, [illegible] a right of pre-emption at 5 per [illegible] to vest in the Bank of England shall be drawn up by the Board of Trade.

(*g*.) The above arrangements shall not be subject to a com[illegible] fixed time, but shall be continued so long as the enhanced [illegible] Turkey.

[illegible] port of Koweit, both ashore and afloat, shall be carried in the interests of international trade, by the agents of the Sheikh of Koweit, under [illegible]tion of British officers of experience.

(*j*.) Koweit shall in no circumstances be fortified.

(*k*.) The harbour of Koweit shall be constructed by British contractors, and it shall be built on land to be leased for this purpose by the British Government and controlled by a separate company.

(*l*.) Harbour dues, on a scale to be determined, shall be arranged, and the net proceeds of those dues shall be divided in equal portions between the sheikh and the [illegible]

(*m*.) The territorial *status quo* of Koweit shall be guaranteed by Turkey and Great Britain.

[illegible] special shall be made for the levy, in the interests of Turkey [illegible] Turkey through the [illegible]

(*o*.) The administration of local affairs at Koweit shall remain [illegible] hands of the sheikh or his successors.

(*p*.) The suzerainty [illegible] over Koweit shall be re[illegible] the limits of the sheik[illegible]

[illegible] (This was, I think, agreed to by the Government of India. It would also [illegible]litate the matters relating to the sheikh's Turkish date properties.)

(*r*.) Koweitis resident abroad shall enjoy Turkish consular protection.

(*s*.) No fortified base or naval arsenal shall ever be created on the shores of the [illegible]

(*t*.) The southernmost limit of Turkish dominion on the mainland [illegible] Umm Qasr, in the district of El Kaif. The Ottoman Government shall renounce [illegible] claim to the supremacy over any point on the littoral of the Persian Gulf south of that point or to any [illegible] the present islands.

(*u*.) His Majesty's Government and the Turkish Government both undertake to recognise the territorial *status quo* on the littoral of the Persian Gulf.

(*v*.) Bahreinis in Turkish territory shall enjoy British consular protection.

(*w*.) Subjects of the tribal chiefs and of the Sultan of Muscat who may be resident in Turkey shall enjoy British consular protection.

(*x*.) There shall be no interference with existing buoys and beacons, or with the [illegible] should such be required for purposes of navigation, of beacons or fixed lights [illegible] Gulf by British agency.

[illegible] Persian Gulf shall be open to the navigation of all countries.

(*z*.) Existing restrictions on the borrowing powers of Egypt shall be rem[illegible]

ALWYN PA[illegible]

Foreign Office, March 30, 1911.

11570 No. 218

Sir Edward Grey to Sir G. Barclay.

(No. 98.) *Foreign Office, March 30, 1911.*

(Telegraphic.) [illegible]

With reference to negotiations between Persian Transport Company and Persian Government (see my telegram No. 91), I am informing Company confidentially that we will not lose sight of assurances contained in previous letters to them from this Office, but that at present we would deprecate application for railway concessions by them or [illegible]

You should act in the sense of the second part of this answer if any other British [illegible]

11773 No. 21[illegible]

Parliamentary Debates" of March 22.—(Received at Foreign Office March 31, 1911.)

House of Lords respecting Persia and Turkey in Asia, March 22, 1911.

An asterisk (*) at the commencement of a Speech indicates revision by the Peer.

Lord Curzon of Kedleston rose to call attention to the state of affairs in Persia, the Persian Gulf and Turkey in Asia in relation more particularly to the construction of railways and to international agreements, to enquire as to the policy of His Majesty's Government, and to move for papers.

The noble Lord said: My Lords, I am sure that your Lordships will greatly regret, on this occasion as much as on any other, the absence of Lord Lansdowne from this [illegible] happens to be more conversant with one of the subjects, at any rate, to which it will be my duty to call your Lordships' attention—namely, the Bagdad Railway—than any other member of this House. The object of my motion is to elicit information from His Majesty's Government on subjects which I think I shall have no difficulty in showing are of great importance to this country. I hope the noble Viscount [illegible] follow me will pardon me if my remarks to some extent take the form of questions. [illegible] will certainly not be asked in any spirit of idle curiosity, but from an honest and legitimate desire to obtain information which is not available from other sources except the press, information contained in which, though surprisingly [illegible], is, of course, from the occasional of the case, not invariably [illegible]

[illegible] not sure that your Lordships' House has not been rather too sparing in [illegible] initiating debates on matters of high politics, more especially [illegible] foreign affairs. I do not think we have [illegible] of what I may call the Central Asian question since the debate on the [illegible] Russian agreement in the beginning of 1908. Any reluctance that may have been felt on our part to initiate discussion has sprung in part from an honourable desire not to embarrass or to challenge [illegible] It has also been partly due to the [illegible] Foreign Minister, who very ably represented the Foreign Office, we have never had a [illegible] representative of the Foreign Office in this House of Parliament. I venture, with all respect, to say that this is a great inconvenience to your Lordships' House, and that on constitutional grounds it represents a most unfortunate anomaly. I believe that within the memory of the oldest of [illegible] has never been an occasion on which the Foreign Office has not had a spokesman [illegible] this House. No doubt that has been largely due to the fact that the Foreign Secretary has usually been a peer, but the accident that the present Secretary of State for Foreign Affairs is in the House of Commons and we do not grudge him [illegible] there surely ought not to be made a reason for penalising your Lordships' House or for doubling us in any form from that inner knowledge of foreign affairs [illegible] representative of the Foreign Office [illegible] to involve the smallest disparagement [illegible] We have all of us admired [illegible] and grasp with which the leader of this House, Lord Crewe, has on many occasions spoken for departments not his own, spoken for them with an authority and fidelity that could scarcely have been equalled by a representative of the department itself, and certainly tonight I am the last to complain, because the spokesman for the Government is to be the noble Viscount opposite, who has a peculiar right from his tenure of office in connection with India to speak on every [illegible] about to raise. But, after all, no man can speak adequately [illegible] inner knowledge that is acquired inside it. I submit [illegible] practice your Lordships are entitled as a still equal and co-ordinate branch of the [illegible] affairs; and I very much regret that among the peers whom the Prime Minister sends up to this House and who adorn the benches opposite there is not to be found accredited representative of the Foreign Office who can speak to us with the inner knowledge that presence in the Office alone can give. I do not desire to labour the point, and I hope the noble Viscount will pardon the digression I have made, and which has no reference whatever to himself.

The notice which I have placed on the paper is confined to that part of Asia which is commonly called the Middle East, and it raises questions connected with three portions of those territories. Persia, the Persian Gulf and Turkey in Asia. In all these regions important events have occurred during the past few years, events which, I think, though apparently separate, are closely connected in their operation and their consequences. In some of these events India has been primarily and directly concerned, in others indirectly, but in the majority of cases they have had relation to the sphere of foreign affairs.

The first subject to which I venture to allude is the condition of Persia. Persia has been passing through troublous times; [illegible] to a constitution she has been confronted with financial [illegible] crises that have almost threatened disruption of the social [illegible] country. These symptoms have naturally been viewed with [illegible] sympathetic concern, in this country, but in Southern [illegible] Western Persia, where the interests of our trade are so important, and where so much British and Indian capital is sunk, it is not unnatural that that concern should have assumed a more active and more vivid form. The condition of [illegible] in the southern part of Persia, between Ispahan and the sea, and, indeed, in the whole hinterland of the Gulf ports in the latter part of 1910, was one scarcely distinguishable from anarchy. The local Governments almost ceased to exercise their functions, governors were besieged in their houses, at one port, Lingah, the town was saved from being sacked only by an appeal being addressed to a British naval force to land on the shore, caravans were attacked, the mails were looted, telegraph-wires were cut, trade was paralysed, and bands of lawless tribesmen wandered about the interior doing pretty much what they liked. That, in a few words, is a fair description of the state of affairs about six months or a year ago.

It was in these circumstances that in October last year His Majesty's Government [illegible] note to the Persian Government indicating to them that unless within the space [illegible] this security could be re-established on the trade routes the British Government would be called upon to raise a force of militia in Persia itself, which would be [illegible] led by officers from India, where it is easy to [illegible] in that sort of work. At the time this was described in some quarters [illegible] harsh and high-handed proceeding on the part of His Majesty's Government [illegible] used of sinister designs on the integrity of Persia and the independence [illegible] It. I am convinced that such designs were [illegible] ident that the integrity and independence [illegible] His Majesty's Government in the preamble to the [illegible] friends than His Majesty's present [illegible] I therefore desire to dissociate myself from those attacks. I believe that as friends of Persia, His Majesty's Government were anxious only to give a warning to the Persian [illegible] interests of both, and to provide a stimulus to the Persian Government to do for them [illegible] have to be done for them. At the end of three months [illegible] rst question that [illegible] state of affairs in [illegible] al, has security been re-established [illegible] nabled to vindicate law and order; and is that friendly relations between Persia and His Majesty's Government [illegible] that the alternative threatened will not have to be carried [illegible]

I should like to say for myself, and I am sure that what I say will be echoed on both sides of the House, that we are warmly interested in the success of the new Persian regime. There has just entered into office in Persia in the supposedly [illegible] post of Regent in that country a statesman who is a personal friend of my [illegible] undergraduate with me at the same college at Oxford, and I know [illegible] possess the highest abilities, but to be actuated by the most sincere and lofty patriotism in the interests of his country. I speak of the Nasr-ul-Molk. He appears to have entered upon his functions there with great courage and [illegible] the happiest auspices. I hope he will receive at the hands of His Majesty's Government every support they can properly and legitimately give him, not merely on the personal grounds which I have mentioned, but because we all of us desire that the constitutional experiment which is being made in Persia—and constitutions are not born without a painful travail—should be successful, that the Persian kingdom [illegible] the independence which it has enjoyed for so many centuries, and that [illegible] subjects, in whom, of co[illegible] subjects of the Shah himself should enjoy [illegible]

The next subject to which I invite your attention is the [illegible] here I am dealing with what is primarily an Indian subject, because I propose to refer to the arms traffic which has in recent years sprung up with such dangerous scope and with such deplorable results in that region. The Gulf is, of course, the base of [illegible] number of superior [illegible] troops across the frontier, they are now equipped with first-class weapons, magazine rifles, for the most part of French or Belgian manufacture, which they obtain by overland communication from the Persian Gulf. I believe that no fewer than 150,000 of these rifles are in the possession of the tribesmen on the British side of the frontier in India. How many are on the Afghan side I would shrink from saying. But I have been told that in 1910 alone as many as 20,000 of the latest magazine rifles and 1,000,000 rounds of ammunition [illegible] come from Europe, and the "entrepôt" of distribution is the port of Muscat, which is the capital of the protected State of Oman. Under the shelter of treaties, to which I shall presently refer, swift dhows embark cargoes of these arms in or outside the waters of Muscat. They run before the wind to the opposite coast of the Gulf, and there they land them upon the coast, where bands of confederates are lurking in convenient places to receive them. The caravans disappear into the interior, and the

next thing that we hear is that a British soldier or an Indian soldier [illegible] hundred [illegible] India. It is only recently that this trade has attained to really alar[illegible] [illegible] help thinking though in this I am open to correction that His M[illegible]

More lately, however, and especially during the time the noble Viscount [illegible] the India Office there has been a great awakening and I have no words [illegible] [illegible] ts that have been made by the East India squadron [illegible] course of th[illegible]

[illegible] This took place at a small spot named Dalai, on that part of the southern [illegible] of the Persian Gulf which is commonly known as the pirate coast, a name that [illegible] people before the *pax Britannica* came on the scene. [illegible] shed upon to conclude treaties with all the chiefs on this [illegible] [illegible] and present, was one of the chiefs who signed those treaties. I believe what happened was this that owing to the great difficulty of exporting arms from Muscat the trea[illegible] was drafted to Dalai. Our naval officers hearing that a consignment of ar[illegible] [illegible] unfortunate collision took place. I have heard that an ultimatum was presented to the chief, with which he complied. But two questions which I should like to put [illegible] the noble Viscount are these (1) Was the sheikh himself implicated in the business? (2) What was the end of the whole transaction? and (3) Is there any [illegible] been broken anywhere [illegible] those arrang[illegible] British Govern[illegible]

There is no [illegible] [illegible] My own impression is that we want a special character of vessel of very swift speed and of very small draught, in order to pursue those dhows running before the wind and to catch them as they shoot into the shallows and creeks of the [illegible] task, and I believe any special expenditure that was incurred upon that object would be more than repaid in the great saving of life and in the political results that would come.

But before I pass from this subject there is another and [illegible] to what is the enormous expansion of this illicit traffic [illegible] Persian Gulf with the exception of Oman, has [illegible] trade. The State of Oman alone stands alone. [illegible]

[illegible] circumstances, but [illegible] United States, and Holland [illegible] may eliminate from [illegible] the two latter, because they have nothing now to do with this case. In the case of France, however, there are French subjects [illegible] gaged in this traffic [illegible] Muscat, and because of that fact this discussion [illegible] that I have described, is permitted to cont[illegible]

While I was in India the Government at home did their best to induce the French Government to forego its privileges in this respect. Since then I believe [illegible] Majesty's Government have done the same, and that there have been [illegible] one international conference upon the matter. I do not know what precise form the negotiations have taken but I believe they have failed in their result, and I have read that if they received territorial compensation elsewhere the French would be prepared to give way. I should be inclined, if I had any right to do so, to make an appeal to the French Government and to the French nation. [illegible]

have given convincing proofs of the most [illegible] prefer to appeal to them, if the appeal [illegible] important, as distinguished for a fine sense of chivalry, [illegible] manity, and which has exercised a great and p[illegible] [illegible] in putting an end to this traffic. I [illegible]

[illegible] gated and the port of Muscat were closed to this tra[illegible] [illegible] would collapse to-morrow and the whole of this traffic, so pernicious in its character, so hard in the privations that it imposes upon our sailors, so dangerous [illegible] its effects upon the tribesmen hundreds of miles away upon our Indian frontier, would perish at its source. My Lords, is not this a strong case? May we not [illegible] sk the French Government to consider this matter from the wider rather [illegible] point and to lay such [illegible] to those lofty sentiments which have so often inspired their action in public affairs? I say no more upon that point, and I hope that the few remarks I have made will not be distasteful to the members of His Majesty's Government or to the noble Viscount who is to follow me.

Now I pass from these subjects to one which is, perhaps, more likely to interest [illegible] great majority of your Lordships House. I refer to the questions connected with [illegible] upper end of the Persian Gulf about which the noble Viscount has been kind [illegible] gh to lay upon the table of the House these abundant and illuminating maps, and [illegible] penetrating I refer, of course, to the Bagdad Railway. I need not ask your Lordships to accompany [illegible] [illegible] of the Bagdad Railway. We all know that several [illegible] this country, that it was first projected by Engl[illegible] [illegible] that as lately as 1872, I think, a Committee of the House of Commons, [illegible] Sir Stafford Northcote, reported in favour of the construction of such a li[illegible] [illegible] means of communication with and as a protect[illegible] but since then circumstances have changed, and the entire political p[illegible] different. It was about twenty years ago that Germany entered upon that [illegible] [illegible] struction in Asia Minor which has [illegible] ulted in every railway in [illegible] on of the Turkish Empire, except the Smyrna-Aidin Railway, which still [illegible] ns a British concern, passing into German hands.

The present situation dates from a more recent period, from the year 1903, when a Convention was concluded at Constantinople between the Turkish Government and the [illegible] [illegible] sion of the line from Konieh, in the heart of [illegible] [illegible] ned on the Persian Gulf [illegible] was Secretary of [illegible] [illegible] Mr [illegible] you will find in [illegible] 3rd April, 1903, and the still more famous statement [illegible] in this House on the 5th May 1903, a full account of the consideration [illegible] the policy of His Majesty's Government at that time. It is quite clear that they took up no hostile attitude towards the railway. Their financial co-operation was desired by [illegible] d they entered into communication with the heads of important financial houses on the subject. It appears from what passed that His Majesty's Government did not object in principle to the construction of the line, that they were willing to agree to an increase in the Turkish Customs Tariff which was necessary in order to raise the loans required for the construction of the line, and that they [illegible] prepared to consider the question of sending the Indian mails by that route, and also the question of a terminus on the Persian Gulf at Koweit. They decided however, that they were to support the [illegible] [illegible] respect [illegible] of management when constructed. It [illegible] ons were not satisfied that His Majesty's Government [illegible] from the negotiations into which they had entered [illegible] It will be remembered that [illegible] was affected to a great extent by the expressions of public opinion in the Press and elsewhere at that time. As soon as the text of the Convention was published in the "Times" it was never laid as a Parliamentary [illegible] per considerable agitation arose in this country, and for my own part viewing [illegible] conditions of the convention, into which I will not enter in detail [illegible] pointed to the construction of ports at different points upon the river and in the Gulf, to the navigation of the rivers, and the control of the line, it was not surprising that in consequence of those conditions a good deal of public feeling was aroused. However that may be, His Majesty's Government decided not to pursue the negotiations. Whether that was a fortunate or unfortunate decision on their part it is [illegible] necessary now to discuss. The only pertinent fact, I think, is that [illegible] the [illegible] stances it was inevitable, and it was ratified, as far as I know, not [illegible] [illegible] on, but by all on both sides in politics in this country who were [illegible] [illegible] e. I am not aware that any criticism was directed against the the [illegible]

by either side. However, that is a matter of bygone history, and I may pass on to more recent events.

Now, my Lords, what is the present position? As regards railway construc[illegible] point which you will see on either of these maps called Bulgurlu, a little beyond [illegible] in the southern part of Asia Minor, and there it has halted for the past six [illegible] but quite recently an trade has been issued for the extension of the line and money I believe has been found for that work. Any one who has been in that part of the world knows that the construction of the most difficult part of the railway [illegible] motors. They have the Taurus Range to cross, and other great [illegible] This is the moment when talk is heard of reviving negotia[illegible] which is alleged to have taken place in Constantinople under which the Bagdad Railway formerly known as the Anatolian Railway, is alleged to have surrendered its [illegible] section, under certain conditions, in return for [illegible] from Osmaniyeh, a place on the map a little south of the Taurus Ra[illegible] *Viscount Morley of Blackburn.* It is not marked on the [illegible] *Lord Curzon of Kedleston.* In return for the grant of a [illegible] important and well known port of Alexandretta. I do not kn[illegible] If it is all [illegible] whole of the trade of Mesopot[illegible] port. I do not th[illegible] the point. What more immediately concerns us is that, if the statements are correct, the price alleged to be paid for this very notable concession is the [illegible] of the rights of the company in the Gulf end of the former line. If that is so, [illegible] should it be the desire of His Majesty's Government [illegible] with the Turkish Government or with any one else in regard [illegible]

The question which any one would naturally ask is—What are British interests in Bagdad Railway? If we have no substantial interests in the matter, why should [illegible] In the first place [illegible] interests in every section of that railway from [illegible] to the Gulf, and, secondly, political, strategic and [illegible] As to the first, over almost the whole of the area covered by the Bagdad Railway, British trade is predominant. We have to see, therefore, that British trade should not be subject to any differential treatment in the future. The Secretary of State for Foreign Affairs said in the House of Commons the other day that the original convention contains satisfactory assurances on that point. I am not quite clear as to that. A mere clause in the statutes of the company prohibiting differential rates may be [illegible] very easy to evade. It would be comparatively easy to frame a tariff increasing categories of goods which come mainly from Germany, as opposed to goods coming [illegible] many of your Lordships, and I believe there are clauses in the "cahier des charges" of the [illegible] rights of another. Therefore I am a little suspicious on the matter, and I [illegible] it in order to say that I hope His Majesty's Government will be alive to this aspect [illegible] The money which is required can only be procured by their consent and I [illegible] that consent will not be given unless they are assured that our commercial interests will be protected over the whole of this area from the hostile and differential treatment which I have described as not impossible.

There is one branch of the projected railway about which I am not altogether [illegible] to be made from Sadigeh, just north of Bagdad, to [illegible] I know that this concession was part of th[illegible] ways been contemplated that when the railways [illegible] itself. That is a matter with which we have a close concern. British goods coming up the Gulf in ships are sent up to Bagdad in boats, and then put on the backs of mules and ponies and carried over the mountains into Persia. This is a B[illegible] amounting to 1,000,000*l* a year, while the whole trade of the other nations of [illegible] is not much more than one-tenth of that sum.

What is to happen to that trade in the future? I think that up to Bussorah and up to Bagdad by the river routes it will hold its own. As to what will ha[illegible] on the middle section between Bagdad and Khanikin I am not quite [illegible] have a shrewd suspicion that when the Russian railway is con[illegible] the whole of the trade of northern and central Persia, in so far as it goes [illegible] the customary caravan routes to the southern ports, will be diverted to the [illegible] If that be so, the prospect for British trade is one which we cannot help [illegible] I hope His Majesty's Government will keep an open [illegible] no opportunity of securing that fair treatment which the [illegible] that write entitles us to demand.

In the debate in the House of Commons on this sul[illegible] Sir Edward Grey said that if we want to combat this [illegible] for the Opposition to make suggestions. [illegible] they are the custodians of our interests [illegible] with the facts, and it is for them to put pressure on at the [illegible] likely to be successful. I do not want to press the noble [illegible] but I should like to ask [illegible] Sir Edward Grey's statement was merely a platonic enunciation of a general principle or whether it did point to [illegible] Majesty's [illegible]

Your Lordships know well that some years ago th[illegible] ment an autograph promise from the then Shah [illegible] that any Russian railway concession in the north of [illegible] be balanced by a [illegible] British railway concession in the south. That promise has been quoted [illegible] by Lord Lansdowne in this House, and it has been repeated by [illegible] Governments. It seems to me, therefore, that if a Russian railroad [illegible] leading down to Khanikin, the time is drawing near [illegible] his pledge in the south, and I should like to know that [illegible] not losing sight of this question and that when the hour arrives they will [illegible] of the opportunity thus created [illegible] unless the noble Viscount is [illegible]

My Lords, I said just now that our interests in the eastern end of the Bagdad Railway are political and strategic, and the proposition which I would submit is that these considerations start into being the moment we leave Bagdad. It would be a mistake to suppose that our political interests are confined to the Gulf. They [illegible] confined to the Gulf, they are not confined to the region between the [illegible] they are not confined to the region between Bussorah and Bagdad; they [illegible] over the whole region right away up to Bagdad. The navigation of the [illegible] Bagdad has been for scores of years in the hands of a British company [illegible] unchallenged, I fear in recent years, but still holding its own. We have treaties with the Arab chieftains on the banks of the river not in Turkish territory. Nearly 90 per cent. of the trade that goes up to Bagdad is British and Indian. Large numbers of Indian subjects visit and live in the holy shrines of Kerbala and Nejef, and a constant stream of emigration runs between India and those places. In Bagdad itself we had a resident 100 years ago—eighty years before the government of any other foreign Power appeared on the scene. There he has been [illegible] with a gun boat and an Indian guard. These evidences, which I might multiply, are sufficient to show that we exercise an influence in this portion of the territory at the end of the Gulf that entitles us to consideration and consultation in any question raised in connection with that end of the Bagdad Railway.

I am not called upon to discuss the treaty relations that exist between ourselves and the Sheikh of Koweit. As the Viceroy who negotiated that treaty I might have something to say on the subject but I will merely say that, with all respect to the claims and pretensions of other Powers, our position cannot be ignored, and I am sure that His Majesty's Government, from what the Secretary of State for Foreign Affairs said the other day, may be relied upon not to surrender the advantages which we enjoy.

Our position in the Gulf however depends on very much more than on any treaties we may have concluded with individual chiefs. It rests upon the unassailable ground of our trade in the Gulf, upon our services there for the last 100 years; upon

the capital sunk, upon the naval position we keep up, upon the political predominance which we maintain, and, most of all, upon the fact that the Gulf is part of the maritime frontier of India, and that in the politics of the Gulf are involved the security, integrity and peace of India itself. This is no new discovery, but an admitted truism accepted by all parties on both sides in both Houses of Parliament. It has been explicitly stated over and over again in both Houses. There was the famous statement of Lord Lansdowne, to which I have referred in this House; there was the earlier statement by the noble Marquess who sits below me, Lord Salisbury; there have been more than one statement by Sir Edward Grey; and I have here a statement made by the late Sir Charles Dilke which I should like to quote as emanating from a man who disagreed with the views of many of those who sit in this House but [illegible] Speaking in the House of [illegible]

[illegible] Government would most sedulously maintain not only our privileged but our monopoly position in the Persian Gulf. [illegible]

I need not labour the point. It is a fundamental principle of British policy that [illegible] cannot allow the growth of any rival or predominant political interest in the waters of the Gulf not because it would affect our local prestige alone but because it would have influences that would extend far many thousands [illegible] I venture to think that the assertion of this principle even in its own [illegible] is not, and need not be, antagonistic to the interests of any other P[illegible] of the world. I imagine that it would be frankly accep[illegible] no knowledge that it has ever been disputed by be[illegible] recognition of the sovereignty of Turkey in those parts [illegible] upper end of the Gulf and to the district between Fao [illegible] Ottoman Government, [illegible] to consolidate its power, to keep in check the unruly tribes on the bank, to [illegible] of the Delta, is an object that ought to be one not merely of anxious solicitude [illegible] of paramount necessity to a British Government. I can imagine nothing that [illegible] essential to consider than a strong Turkish Government in those regions and [illegible] sure that this House would commend any steps taken to fortify the authority [illegible] British Government in that quarter, and that whether we [illegible] we are in the right [illegible] ruins or in our present position that is likely to be detrimental to the successful [illegible] of any such negotiations.

My Lords, quite frankly, if I were to speak this afternoon as an F[illegible] [illegible] of danger. I am not clear that it would benefit our trade; it might conceivably [illegible] it. I have never convinced myself that it is desirable to continue the building [illegible] railway beyond Bagdad, and certainly [illegible] of a railway be there constructed, the tra[illegible] from Basorah to the Gulf, whet[illegible] the interest on it [illegible] know the country pretty well. But if in spite of these [illegible] not as resolved on the building of the railway in so far as [illegible] territory, and if the railway can be built without serious financial risk, then I think His Majesty's Government are entirely entitled and are bound to enter into a discussion with them in a reasonable spirit with a view it may be to [illegible]

Sir Edward Grey said in the House of Commons ten days ago that we possess certain advantages in a discussion with Turkey. He pointed out that the increase of [illegible] in the customs duties which the Turkish Government are seeking cannot be [illegible] without our consent. He pointed out the position of vantage wh[illegible]

enjoy at Koweit and the upper end of the Gulf. I agree with all he said, but, if anything, he understated rather than overstated our position. My belief is that the whole of the Bagdad Railway, from sea to sea, from the Mediterranean to the Gulf, cannot be built without access to the financial markets of Great Britain and France, and it is only by international co-operation between the various Great Powers concerned [illegible] the requisite security for the investment can be obtained. I doubt if it can be [illegible] Power alone, or if remunerative profits can be secured unless more [illegible] There are also great sch[illegible] afloat for the development and irrigation of other parts of the country, of Chaldea and of Mesopotamia. Every one of us would like to see these projects translated into effect [illegible] where the population is to come from to till the ground thus recovered and to revive the vanished glories of the past. Believe me, my Lords, there is a very long furrow to be hoed before the end is in sight. I do not make these remarks in the slightest degree [illegible] deprecate or deprecate the scheme, but I do utter them from some slight knowledge [illegible] the facts in order to modify the exaggerated anticipations entertained in many quarters and to indicate more strongly than anything else that without British support it is more than doubtful if any of these schemes will see the light of fruition. It is not [illegible] thods of construction or control that might have to be [illegible] hue were built. Many plans are discussed in t[illegible] an international system, with its costly [illegible] on is not one that ex[illegible] His Majesty's Government may have their own views about the [illegible] tor. I do not presume to dictate to them. My own position is simply this, that [illegible] tever method of construction of the Gulf sect[illegible] they will see that the predominance of our interests is maintained, and [illegible] to do nothing to impair or whittle away or derogate from the rights which I have described. [illegible] Here I conclude there is one subject about which I shall say little, because I know [illegible] about which it is impossible to be altogether silent. I allude to the alleged [illegible] Russia and Germany entered upon, if not concluded, at Potsdam in [illegible] of this agreement have appeared in the newspapers, [illegible] at they are all incorrect, but we have certain [illegible] de by the German Chancellor, speaking [illegible] and by M. Sazonoff, the Russian Minister for Foreign Affairs, speaking at [illegible] Petersburgh, and from these utterances I think we are justified in believing, first, that when the German railway from Bagdad reaches Kermanshah, on the frontier of Persia, the Russians are prepared to build a railway from Teheran or its neighbourhood down to the frontier to meet it; and secondly, that the Russians have withdrawn the opposition which at one time was strong on their part to the construction of the Bagdad Railway [illegible] of which, of course, are great advantages to Germany, and on the [illegible] tion has been given by Germany to Russian political [illegible] great predominance in the northern part of Persia, which, of [illegible] an equal gain to Russia. It would be idle to deny that this version of affairs, if it be true, has excited some apprehension, and that there are many who have [illegible] such impending in that *entente* between Russia and [illegible] Anglo-Russian agreement concluded by [illegible] rds opposite a few years ago, and for which, as many of us think, they paid a very high price in that agreement, but to which, at any rate, nobody can say that this country has not loyally and unflinchingly adhered.

It would be a great relief to us if His Majesty's Government could say, without [illegible] knowledge and sympathy, that our undertaking with Russia has not been in any degree [illegible] that our interests have not suffered and are not likely to suffer. I should be [illegible] ternational policy or the grouping of allied Powers [illegible] compatible with friendly arrangements between members of the different groups [illegible] subjects that more specially concern themselves. Every such agreement may be, and ought to be, a link in the international chain of peace, but of course it ought to be subject to the condition that these minor accommodations are carried out with perfect loyalty to the larger issues that are concerned, as I doubt not has been the case in the present instance, and that private interests are never allowed to get the better of public obligations. I do not venture to say more on the point, and I hope that I have not said too much.

There is only one other subject to which I desire to allude, and it is this. In the course of the discussion on all these questions there has again emerged, after long

oblivion, the idea of a great trans-Persian line, running either from Trebizond, in the corner of the Black Sea, viâ Tabreez to Tehran, or from the Caspian Sea to Tehran, and then continuing viâ Yezd and Kerman in a south-easterly direc[illegible] eastern frontier. Whenever such a scheme is proposed it fills the imagina[illegible] everybody who regards it, because it is part of that great scheme of inter-c[illegible] which, in the belief of all of us, will some da[illegible] agree with.

[illegible] where only a gap of a few hundred [illegible] wo. He will also agree with me th[illegible] which I need not enter, such a line is outside the sphere of practical politics, events at present. Nor do I need to enter into an examination of the features of the trans-Persian line. Many important points are involved in that examination. I am aware that experts entertain most widely different opinions on the subject. I mention it only because I have seen it stated that the Russian Government have intimated [illegible] willingness to support the scheme if it is carried out without injuring Russian commercial interests and without imposing fresh burdens upon the Russian [illegible] bond of these "ifs" is a very big "if." I have never been able myself to imagine [illegible] he funds are going to come from for these great trans-continental schemes [illegible] and elsewhere. Obviously, no company will find the money unless it has [illegible] guarantee by some Government. There are only three Governments concerned. The first is the Government of Persia, which is unhappily not in a position to give a guarantee to anybody. The second is the Government of Russia, whose attitude I have already described. The third is the Government of this country, and I confess I do not see the Chancellor of the Exchequer coming down to the House of Commons and [illegible] a request to Parliament to guarantee Government funds for this line. And then, another condition has to be satisfied before such an idea is entertained, and that is that there is a sound and stable Government in the country through which the line runs. I will not pursue the subject. I have merely [illegible] Viscount whether the idea is at all seriously entertained, [illegible] regard it as occupying any place in the field of international politics at the present time.

My motion ends with a request for papers. Really I ought to thank the noble Viscount for having so far anticipated me as to overwhelm us with these admirable and useful maps, but when I talked about papers I meant something more than maps. The fact is that the Governments in recent years have been rather parsimonious in distribution of papers on Asiatic matters. I believe that as regards Persia the last Blue Book we have is Persia No. 1, 1910, which carries events up to the end of 19[illegible] But about the Persian Gulf, so far as I know, we have had [illegible] or the proceedings at Brussels to which I [illegible] way, we have never had ar[illegible] laid before Parliament, and if you want [illegible] or else to the la[illegible], the contract is a [illegible] modern Govern[illegible] fully ask the noble Viscount to present us with all the papers that he reasonably can. I have [illegible]

The noble Lord has taken us on to as important ground as, I think, any member of your Lordships' House could undertake. People do not yet recognise how enormous are the issues involved, how enormous is the area involved in the questions which the noble Lord has raised, and nobody in this House has a better right to lead discussions upon these questions than the noble Lord. He has been most part of his life, I should think, closely interested in the whole group of questions that he has dealt with this afternoon, and his knowledge to within six years ago is first-hand and personal knowledge. I do not for a moment dispute his claim that he has discussed all these questions, large and important as they are, in a perfectly honest and [illegible] al sincere spirit. We have no possible ground for complaint. I think [illegible] ttle ungrateful in his irony about the maps, because really when he last spoke on these points in 1908 he said how he regretted that there were no maps, and that without maps the discussion was unintelligible. I therefore thought that in providing maps I was meeting the noble Lord's views.

The noble Lord mentioned at the end of his speech what are called the Potsdam negotiations, if that is the right word, between Russia and G[illegible] N[illegible] known better than the noble Lord that for us at this stage to d[illegible] between two sovereign independent Powers before those negotiations, so far as we know, have come to a definite conclusion would be to take up a position which no official or responsible person, either in this House or the country, has a [illegible] to take. Therefore I have nothing to say about what are called the Potsdam [illegible]

With regard to the subject of trans-Persian railways, any ideas or designs on [illegible] sensible or useful or instructive observations [illegible] feel very much [illegible] doubts, or more than doubts, as to the [illegible] of those particular designs. I will follow the noble Lord through th[illegible] to which he asked our attention. [illegible] as to the present Regent in Persia His Majesty's Government entirely concur. It is upon his character, in truth, that we lean, and upon which we rest our hopes. His recent exhortations in the M[illegible] duty of that important body, the line h[illegible] giving his Minister a stable majority—all these show a man [illegible] policy we can look for nothing but satisfactory results. The M[illegible] men share those moderate and practical views, and we may hope, and we do hope, with such confidence as is possible in a country whose condition has been so confused, [illegible] that there [illegible]

Then I turn to the question of the southern roads. It is no wonder that the noble Lord called our attention to the condition of those roads, but I believe that if he had been able to follow events as closely as a member of the Government has to do, he would have felt that his picture of the state of things, unsatisfactory as it is, is rather exaggerated.

Lord Curzon of Kedleston. I hunted it to the last six months of 1910, and my information was obtained from official sources.

Viscount Morley of Blackburn.—I know; but to say that the state of things was little short of anarchy is certainly using a phrase far in excess of the facts. The [illegible] Lord has told your Lordships what happened, and I am very glad that he has, [illegible] I would have expected dissociated himself from those who impute that the action [illegible] October last year was due to a sinister or nefarious design on the [illegible] nce or integrity of Persia. Of course, I should have expected the noble [illegible] to keep clear of innuendos of that sort. Though there was not anarchy, the state of things had become very bad. In November the Russian consul general at Bushire was attacked while on his way to his post, and the British consul was also attacked, and on both occasions lives were lost. In May last a representation was made to the Persian Government, but no steps were taken by them, and so it was that in October the Persian Government were informed that if they failed to restore something like order on these roads His Majesty's Government would be compelled to insist on the organisation of a local force for the purpose, to be commanded by officers from the Indian Army, and the expense to be defrayed by a 10 per cent. surcharge on certain duties. After further exchange of notes the Persian Government in [illegible] and willingly, and with perfect confidence in their good faith, agreed to give them another opportunity of fulfilling the obligations which we had imposed upon them, and, in the noble Lord's own phrase, our admonition to the Persian Government

was meant to provide them with a stimulus. The noble Lord asks as to the present situation on the southern roads. It was impossible to say, in view of the social conditions that obtained there, that any immediate restoration to order was possible, but it is the fact that the position there is greatly improved, whether that is due as some say, to the severity of the weather or other causes we do not know, but we are watching with patience and with hope.

[illegible] Lord made reference to Persian railways, and alluded to the [illegible] This is a very important document, and [illegible] discussing railway construction in Persia, it will [illegible] The Shah, in this autograph letter, says:—

> 'Convey these commands to his Excellency the British Minister Plenipote[illegible] Even give him this very autograph in order that he may keep it [illegible] satisfied that our former promise with regard to the pro[illegible] over others in the construction of a southern railway holds good, [illegible] rtainly, whenever railway concessions in the north, &c., are given to others immediately a concession for a railway from Tehran to Shuster, or such a one, will be given to the English company; and, of course, then the clauses and conditions will also be examined, in order that it be to our advantage and interest for the benefit of commerce of both parties; and positively no southern railway without consultation with the British [illegible]

These explicit assurances were once more confirmed in the year 1900.

His Majesty's Government cannot conceal from themselves that the ques[illegible] railway construction in Persia may involve important strategical con[illegible] therefrom, but provided that these and oth[illegible] satisfied by an adequate British participation in [illegible] railway schemes which may be adopted by the Persian Government, then His Majesty's [illegible] ernment would not construe their preferential rights in any narrow or exclusive [illegible] it.

I turn to the Persian Gulf, which the [illegible] Lord knows a great deal about from [illegible] W[illegible] not read [illegible]

> Although Great Britain has not sought territorial acquisition [illegible] those regions she has for generations borne burdens there which no other nation has ev[illegible] undertaken anywhere except in the capacity of Sovereign. She has [illegible] thrust upon her without dominion. She has kept the peace amongst people who are not her subjects, has patrolled, during upwards of two centuries, waters over which she has enjoyed no formal lordship, has kept, in strange ports, an open door through which the traders of every nation might [illegible] a free access to distant markets as her own. If Great Britain has become in any sense, the arbiter and guardian of the Gulf it has not been through a reckless ambition urging her on to the control of the waste places of the [illegible] obedience to the calls that have been made upon her in the past [illegible] enforce peace between warring tribes, to give a free course to trade, to hold back the arm of the marauder and oppressor, to stand between the slave-dealer and his victim.'

[illegible] of the world, and to this [illegible] Mesopotamia owes its very existence [illegible] ctly understood, that we adhere to the position taken up, and expressed, I think, in this House by Lord Lansdowne in 1903. That at all events ought to be satisfactory [illegible]

[illegible] noble Lord next referred to Muscat. Muscat, as your Lordships know, i[illegible] effects of which to us in India and to people in the Gulf are well known to your Lordships. The noble Lord, after all, put his finger upon the real crux of the

situation, though I am not quite sure that he appreciated how great the difficulty is. [illegible] is in error when he says that it is the French who are the manufacturers [illegible] The French [illegible] made a powerful ap[illegible] upon the treaties with the Sultan of Muscat. He ma[illegible] a passionate appeal to France to look at this thing in the light of those great ideas and splendid moral impulses which have enabled France for generations to play so [illegible] a part in the civilisation of the western world.

Every word of the noble Lord's appeal will, I am sure, touch the French, but it must be remembered that France has treaty rights. Can we expect a country to surrender treaty rights affecting some portion of her own community without getting [illegible] othing in return? My knowledge of international history does not provide me with any case in our nonsolidate times where there has been such a surrender without [illegible] than that we are engaged in pressing [illegible] the difficulties which they create [illegible] ctices which [illegible] their treaty rights. I am not sure that the noble Lord's fi[illegible] Owing to the dispatch of the squadron upon which he commented, the [illegible] Muscat which doubled between 1906 and 1908, has fallen in value. Since we set [illegible] foot a naval blockade, the value of arms imported into Muscat has fallen fr[illegible] 237,000*l.* in 1908 to 103,000*l.* in 1909, and it will be found to have fallen still further in 1910. The value of the French arms is less than one-tenth of that total. We hope, [illegible] ever, that the French Government will be impressed by the statements which are [illegible] are them and that good results will follow. As to the question raised by the noble [illegible] the precise type of war-ship now employed in the right machinery [illegible] o this traffic, I can express no opinion, but I dare say it is worth [illegible]

[illegible] ced with regard to t[illegible] de Lord is quite mistaken if he thinks we [illegible] The noble Lord referred to the [illegible] lent at Dohar [illegible] that, considering the great size of the other questions raised by him, this was rather diminutive. The facts are these. The Arabs fired on a party who went to search for arms—a party from one of His Majesty's ships. A general engagement ensued, in which we had five killed and nine wounded, and the enemy thirty-seven wounded. The sheikh, though invited to meet the British commander and assist in the search, [illegible] reply, and only appeared after trouble had begun. He then took measures to [illegible] t. The British resident and the admiral at once proceeded to Dohar and [illegible] sheikh. His attitude being unsatisfactory, a written ultimatum was presented to him, and forty-eight hours were given him in which to comply with [illegible] terms. He accepted these terms on the 30th December [illegible] at of India reported that the conditions [illegible] place a trivial incident of that kind has in so large a sele[illegible] policy as the noble Lord has given us.

[illegible] *son of Kedleston.* It really had a place. The incident at Dohar was [illegible] self, but I was concerned to ask whether this rupture of the treaties [illegible] g the importation of arms was an isolated instance at Dohar, or whether there [illegible] think that it extended to other parts of the coast, because if so the [illegible] would be serious.

[illegible] *Second Marquess of Blandford* [illegible] serious. I cannot say with absolute certainty tha[illegible] was nothing at all, or was not when I left the India Office, to lead us to suppose [illegible] there was anything like a general return to piratical and marauding ways in that region.

I come now to the Bagdad Railway. The noble Lord has presented quite truly and forcibly to the House all the elements which make what is called the question of [illegible] I agree with him in extending [illegible] by the name [illegible] made was no [illegible] but I do not agree with him in his history of our dealings with this question. [illegible] I fear say the noble Lord [illegible] Turkish forces in 1839, and was

then fascinated with the idea of what could be done on the banks of the Euphra[illegible] T[illegible] M[illegible] effect on the German imagination ever since. At any rate since 1873 the Germans have taken a practical and an increasing part in the construction of railways in [illegible]atic Turkey. In 1873 the first section of what is now known as the Anatolian [illegible]lway was built by a German engineer, von Pressel, to the order of the Turkish [illegible]ernment and in 1888 it was transferred to a German company. Subsequently—[illegible] that line was extended to Konia. Three years later a concession was granted [illegible] German syndicate for the extension of the line to Bagdad and the Persian Gulf, and after undergoing various modifications this concession for the Bagdad Railway assumed its final shape in 1903.

The noble Lord rather got on to dangerous ground if he is anxious to avoid anything in the nature of a controversy, as I am sure he is, when he referred to the action taken by His Majesty's Government in 1903 when Lord Lansdowne was Foreign Secretary. I think he forgets that whatever extenuation there may be for, as I think, the misjudgment that was made in 1903 when the British Government refused [illegible] in the Bagdad Railway, at all events that action, however you [illegible] explain or extenuate it, has not been justified by events. I well remember [illegible] activity of certain organs of public opinion at that date, but I do not believe any of those who inspired, as I think, that rather unhappy decision would say to-day [illegible] it would not have been far better as events have proved if we had in 1903 acc[illegible] with certain modifications, what we then had a chance o[illegible] Railway. I do not say the noble Lord endeavoured to h[illegible] the position in which any British Gover[illegible] get. Even at the date when the Bagdad Railway concession was granted the [illegible] position, as they were working about 650 [illegible] are they began to get concessions for this larger and more [illegible] le Lord and the decision at that date on our part was [illegible] tend that. But let it pass. I would not have [illegible] that the noble Lord endeavoured to vindicate Mr. Balfour's [illegible] ernment from a charge which certainly has not been made here. It was this which made it necessary for me to point out that the decision of that day has not been justified by events.

What is the present position? The position as we found it in December 1905, when we assumed office, was that a concession for the Bagdad Railway to run from K[illegible] the Persian Gulf had been granted [illegible] years before, and that the concession was not merely for the main line, but also for many branch lines, of which, perhaps, the most important is the line on which the noble Lord expatiated, from Bagdad to Khanikin on the Turkish frontier. The G[illegible] were in the situation, it is no use denying it, the Germans were in the posi[illegible] *beate possidentes*; they held under an international agreement for a number of years. A great deal of nonsense is talked about the possible danger. I do not refer to the ulterior possibilities to British interests which may be involved some day or other when this railway is completed, and there have been wholesale apprehensions expressed. One is that it will constitute a stand[illegible] that because the argument is that, by a pact[illegible] French with the Hedjaz line, which is T[illegible] argument to The [illegible] overlooks the fact that the same [illegible] at over a [illegible] passes by conve[illegible] [illegible] the concession was granted, not after. You cannot get over [illegible] fact, that this railway is made on Turkish territory by virtue of an [illegible] granted by the Turkish Government. You cannot get over that fact, that [illegible] an start from. I see articles in newspapers every day in which it is assumed that we have the right there to do what we please; that is not so; it is not our soil; it is Turkish soil, and the Germans alone are there because the Turkish Government have given them the right to be there. Let us, therefore, start with a view of the situation from that plain and simple fact.

The noble Lord has referred to the "cahier des charges," which I propose to lay before Parliament. It is really a schedule, and it is said it might be worked to our disadvantage. Remarks made by Mr. Balfour in another place pointed in this direction. That, again, is attached to the convention of 1903, and it does not appear *prima facie* that the Ottoman Government or the railway company contemplate the maintenance [illegible] rates against British goods either on the main line or on the branch to Khanikin. Be[illegible] r, His Majesty's Government realise as fully as any member of the House [illegible] t British trade interests in these regions are of [illegible] I go so far with the noble Lord [illegible] call the plastic stipulations of a "cahier des charges" [illegible] M[illegible] tinately object to the construction of any railway [illegible] territory, but they cannot directly or indirectly facilitate the construction of [illegible] railways if their completion is to alter the existing position in Mesopotamia to the [illegible] ment of British interests and to the exclusion of British participation on reasonable [illegible] ms. It is undeniable that His Majesty's Government are in principle favourable to the construction of railways in Turkey; they appreciate how important this construction [illegible] other purposes, for the consolidation of the new regime, and the new regime [illegible] through we cordially wish will continue and prosper. If therefore, we could [illegible] harbour he possesses, but the principal objection [illegible] Turkish customs duties, which are, of course, the [illegible]

Now I come to the various announcements to which the noble Lord referred. [illegible] r the 1903 concession the Bagdad Railway Company had acquired a right to build a line from Konia to some point on the Persian Gulf to be determined here[illegible] [illegible] ompany acquired certai[illegible] [illegible] Mesopotamian [illegible] [illegible] on any [illegible] forced to carry [illegible] Railway) have now renounced. On the other hand, in fulfilment of the terms of the 1903 concession the Bagdad company have come to an arrangement whereby, first, a branch line is to be built from Ommanieh on the main line to Alexandretta on the gulf of that [illegible] ne, and have provided that certain revenues are allocated to them in accordance [illegible] 5 of the original concession of 1903 for the continuance of their main [illegible] El Helif to Bagdad.

The upshot of this arrangement is that within certain limitations [illegible] Government have regained their liberty of action in regard to the section of the [illegible] have made to His Majesty's Government are in a very early stage, but we wish it to be clearly understood that His Majesty's Government sincerely desire a settlement that will remove all anxiety as to the important British trade interests concerned, and at [illegible] to the roots of suspicion and distrust that have so often obscured [illegible] in short, that will remove all apprehension that the Ba[illegible] [illegible] likely to create diplomatic friction between any o[illegible] We feel that any arrangement must be one to which G[illegible] [illegible] g party, as the original concession-holders were Germans. [illegible] present position as affairs stand at the present moment. As noble Lords will understand, we cannot, without prejudice to negotiations which will naturally follow these [illegible] arrangements that there is a marked step in a favourable direction, promising develo[illegible] [illegible] Government will be animated by the desire to remove all possible cause for international friction, and, your Lordships may be very sure, to uphold all the important interests [illegible] at and future, of this country.

[illegible] have detained the House so long that if the noble Lord will excuse me I will [illegible] the minor points he has raised. I for one listened with pleasu[illegible] the expression of his own large, well-supported views on the issues of this new chapter opening in the relations between Europe and Asia. Here is no Alexan[illegible]

going from Europe to Asia—it is a very different thing you have to think of; here are great rival international interests, and a great movement more difficult to adjust in all its elements. It is not merely military; the military and strategic aspects are among a whole congeries of elements that go towards the complication of questions of enormous importance both to the political and commercial future of this country, and therefore to the world.

As to the motion for papers, I will undertake to lay before the House further correspondence on Persia, the text of the Bagdad Railway Convention of 1903, and the supplementary convention of 1908, the "cahier des charges," and the loan contracts. The noble Lord asked for the Brussels Convention, and I will see whether it can be given.

Lord Lamington.—My Lords, no one can deny how vast, delicate, and intricate are the interests involved in the various questions that have been brought before your Lordships' House by Lord Curzon to-day. On the 7th February last, I put a question to the noble Viscount relative to the Potsdam interview. He then said that he was unable to give any information, but I should have thought that by this time it might have been possible to throw some light on the negotiations which took place there.

In opening this debate Lord Curzon drew a picture of the great disorder that has taken place in the southern portion of Persia. On that I rather agree with the noble Viscount opposite that Lord Curzon over-coloured the picture. It must be remembered that in the five months subsequent to last March the trade of the southern ports increased by 86 per cent. as a whole, and that even at Bushire there was a 22 per cent. increase during those five months, and that is the part of the country most liable to interruption owing to brigandage and general misgovernment. At the present time when any ordinary robbery takes place it is at once put down to the Government. An instance was related to me of the agent of a firm who had embezzled money. A little plan was concocted, and it was represented that the caravan had been robbed, and this again was laid to the charge of the Government. It may be argued that if the country is so weakly governed that these accusations can be made, therefore there ought to be some stronger hand to guide their affairs. But how has it come about that there has been this great misgovernment and disorder in Persia?

The noble Viscount took great credit for the carrying out of the Anglo-Russian convention, which distinctly stated in the preamble that the integrity of Persia was to be preserved. But how can you preserve the independence of a country when it has in certain portions been largely garrisoned by foreign troops? Time after time with an empty exchequer Persia has attempted to get funds for carrying on the administration of the country, but has been thwarted in her efforts. The Nationalist Government have not been allowed a free hand to put their affairs on a proper basis. They could not do so without having funds at their command, and these funds have been repeatedly denied them. We now understand that the Russian garrison at Kazvin is to be removed, or possibly only reduced. I understand that about seventy men are still being kept there. I would like to know whether the other garrisons are being removed. Again, the Persian Government in their struggling condition have had their Minister of Finance assassinated, and his murderers were given protection by the Russian consulate or the Russian legation and were removed for trial to Russia. We would like to know what has been done with those people. An attempt was made to assassinate the Governor of Ispahan, and his nephew was killed in his efforts to protect him. There, again, the murderers were taken charge of by the Russian Government.

I quote these instances not to make any case against Russia, but to show what frightful odds the Persian Government have had to contend with. How can a Government control their subjects when they are denied the means by which alone good government can be carried on? It is rather hard to accuse the new-born Persian Government of having failed to preserve order in that very difficult country of access in Southern Persia when they have not been given a free hand. I believe honestly that they have done their best, and that if they had only been given a greater command of funds they would have been able to preserve order. It will be remembered that we stated that if we had to take charge of the police force on the Persian Gulf we should demand a surtax of 10 per cent. on the customs duties. I cannot see why the Persian Government themselves should not have been allowed to raise that 10 per cent. and administer the country properly. Why should we be so suspicious of their ability to administer properly funds entrusted to them? It is this which makes it so difficult for the Persian Government to carry on their affairs in a proper manner.

I understand from other sources that there is possibly a brighter day dawning for the Persian Government, and that there is a possibility now of their being allowed to

obtain loans by which to carry on their administration. I believe they are going to appoint five American advisers to superintend their financial affairs. All these are good auguries for the future of the country, and under the guidance of the Regent I believe there is a possibility of the salvation of Persia. If only they would sink their own petty differences and act up to the doctrines of their own Islamic creed, I do believe there would be an independent Persia established which would be the best possible bulwark against any friction between Russia and ourselves. On the point of gun-running in the Persian Gulf, Lord Curzon made a fine and dignified appeal to the French nation, but the noble Viscount opposite rather let him down when he asked what instance there was of a country ever giving up an advantage without a *quid pro quo*.

Viscount Morley of Blackburn.—Giving up treaty rights.

Lord Lamington.—But if treaty rights are an infringement of the ordinary laws of civilisation, surely it is not too much to expect one of the foremost civilised countries to co-operate in putting an end to this traffic. The noble Lord referred to Muscat. He might have referred also to Jibuti, which, I understand, is the very centre of this traffic in the distribution of arms. Time after time we have attempted to negotiate with the French nation on this matter, and I should have thought that this was a very opportune occasion, the *entente cordiale* being so firmly established, when we might represent to them strongly that the whole of this gun-running traffic should, if possible, be put an end to. Only last week there was an attack on the coast between an armed dhow of our own and a dhow engaged in running arms. That dhow came from Jibuti. There are no treaty rights there, and there is no reason why, with the assistance of the French nation, an end could not be put to the whole of this trade.

The statement which the noble Viscount made with regard to the Bagdad Railway I regard as very satisfactory. Our chief concern is with the section from Bagdad to the Gulf; and if the German company have now got the branch down to Alexandretta, I should have thought there was every occasion for our now establishing good relations with the Germans in regard to this matter. Our one concern is, as I have said, in respect of the last section from Bagdad to the Gulf. One would like to know the views of His Majesty's Government on this matter, whether they consider that that section should ever be built, or whether our trade would not be benefited at a far less cost by simply improving the navigation of the Tigris. That, at all events for many years to come, would carry all the trade, represented by 1,000,000*l.* per annum in value, that would go by that route. This seems a favourable opportunity not only to extend friendship with Russia, but also to put our own relations with Germany on a good footing in this matter. If we have a proper share of that last section to the Gulf, I do not think we need ask for any more, except that the extension from Bagdad to Khanikin should be safeguarded so that there are no unfavourable rates by which our trade could be injured. I hope that this debate will put the whole of the questions that have been raised by the noble Lord on a clearer and better footing, and that we shall thereby establish better relations in that part of the world.

The Marquess of Salisbury.—My Lords, I do not think it would be quite fitting that we should allow the very important statement which the noble Viscount has made to your Lordships to pass without any comment from those who formed part of the late Government in respect to what they had to do in relation to the matters upon which the noble Viscount dwelt. I speak with a full sense of the great difficulty of dealing with these delicate subjects of foreign policy in public debate, and perhaps it would not have been necessary for me to say a word at all upon the subject but for the fact that the noble Viscount appeared to me to be desirous of defending the very important step in policy which His Majesty's Government are evidently undertaking by throwing a certain responsibility for the situation upon the predecessors of the present Government. There was a sort of covered attack by the noble Viscount upon the attitude which we adopted in respect to the Bagdad——

Viscount Morley of Blackburn.—It was raised by the noble Lord or I should not have mentioned it.

The Marquess of Salisbury.—I do not agree with the noble Viscount. My noble friend, Lord Curzon, spoke, as I thought, in very proper terms, of the attitude which we had adopted in respect of the Bagdad Railway in former times. There was no call for the noble Viscount to have brought our conduct into question, unless it be necessary in order to defend his own policy that he should reflect adversely upon ours. I do not desire to treat this subject in any aggressive spirit, but I think it necessary to place upon record what, in fact, the late Government did.

Now, what did the late Government do? The noble Viscount, not quite correctly, spoke as if we had refused to come to an arrangement about the Bagdad Railway.

That was not an absolutely correct statement of the case, because as a matter of fact the persons who refused to come to an arrangement were the members of the financial groups concerned. Undoubtedly they were in close relations with the then Government all through the negotiations, and the matter we had to decide was whether British interests were properly treated in the arrangements that were proposed on behalf of the German group. That was the question. It was stated by my noble friend, Lord Lansdowne, at the time, and these are the words he used:—

> "What was under our consideration was the possibility of obtaining the substitution for this purely German system of a line of an international character, constructed under guarantees which would have secured permanently its international character, and which would have secured for the commerce of all nations absolutely free and equal treatment from sea to sea."

The noble Marquess went on to say:—

> "It was also part of the proposals which were ventilated that this country should be given full equality with any other Power in respect of the construction of the line, and in respect of its maintenance and control after it had been constructed."

That was the ideal which His Majesty's then Government were favourable to. That was the proposal which was not offered to us, and therefore it was not possible for the then Government to support and endorse the arrangement which was made.

The noble Viscount thinks that we were wrong in the decision we came to. That is a matter only of historical interest. The noble Viscount may be right, and we may have been wrong. All I say is that we acted according to the best of our ability, and according to what, in our judgment, were the interests of our country. I gather that the noble Viscount and his colleagues do not view the matter from precisely the same point of view. I touch on this subject with great diffidence, but certainly the sort of outline which the noble Viscount gave of the proposals which are under the consideration of the Government did not seem to place our country on a precisely equal footing with that of other countries. He divided, very properly, the Bagdad Railway into two divisions—the Gulf section and the rest. I think it is possible that the sort of arrangement which His Majesty's Government are contemplating is that the greater part of the Bagdad Railway should be made without any positive position being accorded to this country in respect of it, but that in respect of the Gulf section we should hold an important position. Until we have an opportunity of seeing precisely what the terms are it would be most improper to in any way condemn them; but I would ask His Majesty's Government to remember that they do hold a very strong position in this matter—namely the very strong position to which the Secretary of State for Foreign Affairs in another place has called the attention of the country. They hold the position and the power given to them by the fact that they can refuse or admit the raising of the necessary revenue by the Turkish Government which is essential for the project to be carried out at all. They hold that power as trustees for the country, and I earnestly hope that they will not make terms, or allow terms to be made, adverse to this country whilst they have the power to prevent it. If they do, upon them must rest the responsibility.

Lord Curzon of Kedleston.—My Lords, there are only one or two points in the speech of the noble Viscount to which I may, perhaps, be allowed for one moment to refer. With the general tone and tenor of his speech I have nothing to express except gratification. I agree with him that a new chapter in the history of the East is likely to be opened if events follow the course which he indicated; and if the opening phases of that chapter are pursued in that tone of gravity and of friendly regard for the interests of all the Powers concerned which characterised his speech to-night, then I think we may hope that the solution will be a favourable one.

The points to which I desire for one moment to call attention are these. First, with regard to Persia. The noble Viscount read out *verbatim* the familiar assurance of the last Shah but one, Nasr-ed-din, about concessions to Great Britain for railways in Southern Persia. I imagined that he was going on from that to say either that a concession for a British railway would be applied for, or that, if it was applied for, the project would receive the warm support of His Majesty's Government; but, on the contrary, the noble Viscount proceeded to make—and as it was read I am sure it was a very formal and authorised statement—a declaration to the effect that, provided strategical and commercial considerations can be satisfied by an adequate British

participation in any railway schemes of the Persian Government in Southern Persia, His Majesty's Government would not construe their preferential rights in any exclusive spirit. I quite understand that position, but it is an apparent abandonment of the preferential rights which His Majesty's Government enjoy. It is not saying, as Sir Edward Grey rather suggested in the House of Commons, that if the Russians make a railway in Northern Persia we should respond by making an application in respect of Southern Persia. It only says that if the Persian Government make a railway in Southern Persia and that railway does not strategically interfere with our interests, we shall co-operate with them. I hope that will not be interpreted by anybody as in the slightest degree weakening the assurance given us by the Shah, or as disabling us in future from translating that pledge into action should occasion arise.

As to the Persian Gulf, I was glad to hear the noble Viscount adhere with so much emphasis to the statement made by Lord Lansdowne in May 1903. On the matter of the Muscat treaty, I agree with the observations made by the noble Lord behind me, Lord Lamington. I put this to the noble Viscount when he speaks about treaty rights—Does he really contend that the treaty rights which were contemplated when the Treaty of Muscat was effected cover or justify the sort of traffic which they are now held to extenuate? These are not treaty rights enjoyed by French subjects in the ordinary sense of the term. When I was in India they were treaty rights taken advantage of by two persons only: French merchants engaged in this traffic, who were protected by their country because they possessed important commercial interests in France. Are we to be told that in a case of that sort the French Government, as a matter of international practice, cannot give way without receiving territorial compensation in some other part of the world? I earnestly hope that they would be ashamed to ask for it; but, if they do ask for it, I hope His Majesty's Government will not be too generous in meeting them on the matter.

The noble Viscount dealt with the attitude of the late Government with regard to the Bagdad Railway in 1903. I will only say with regard to the new arrangement, the facts of which the noble Viscount put before us, that we shall look with great interest to see exactly what is the share in the new company from Bagdad to the Gulf which is to be claimed by the old German company. The German company affects to surrender its concession in return for the substantial advantages it gets at Alexandretta, but, nevertheless, it is to retain a share in whatever company is formed to construct the line from Bagdad to the Gulf. When the noble Viscount said that His Majesty's Government were prepared, if a solution were proposed satisfactory to this country, to use their influence with the Sheikh of Koweit for the provision of a suitable terminus for the railway at the port of Koweit, I do not think he was saying anything different from the position taken up by Lord Lansdowne in 1903. The Government at that time gave a somewhat similar assurance. I ask His Majesty's Government before they embark upon this project for the extension of the railway to the Gulf to satisfy themselves that the last section from Bussorah to the Gulf is wanted in the interests of anybody. Is it wanted in the interests of the Turkish Government? Is it wanted in the interests of British trade or of Indian trade? Let His Majesty's Government remember that this section will be an expensive one to construct. For a distance of nearly 100 miles it would cross a desert. Then you get down to Koweit itself. I know the harbour very well, and I know that a good deal of harbour work would be required before the place could be made ready for the accommodation of our ships, and therefore you have a very great outlay laid upon your new company there, every fresh outlay deepening the heavy financial obligations which the Turkish Government have been foolish enough to incur in regard to the earlier sections of the line. And how silly every one would look if, after the line was built, you found goods from India still being transferred into boats, still going up the river to Bussorah, and very likely on to Bagdad. I suggest the point to His Majesty's Government as one worthy of their consideration. After all, business has a good deal to say in these matters, and I merely warn the Government to look at them from a business point of view. I have now only to thank the noble Viscount for the papers which he has kindly promised to lay on the table of the House, and to withdraw my motion.

[11806] No. 220.

Lord Grimthorpe to Sir Edward Grey.—(Received March 31.)

My dear Grey, *80, Portland Place, March 30, 1911.*

I WRITE to inform you that I hear negotiations with the Government are proceeding satisfactorily at St. Petersburgh. In case enquiries may be made from there about Mr. Williams, I think it well to let you know that he is not only the agent and representative of myself and the syndicate (which has been formed with a capital of 300,000*l.*, to be called up as wanted), but is a principal, a partner, and a large shareholder in the business. He is an American, and is backed by powerful financial interests out there. Just before leaving Paris he negotiated a deal with some Paris bankers for building a railway in the west of America. I mention this as a Government always likes to deal with principals, and if he is thought to be only an agent it will seriously hamper him in the negotiations, and probably prevent their coming to any definite conclusion.

Yours sincerely,
GRIMTHORPE.

[11570] No. 221.

Foreign Office to the Persian Transport Company.

Sir, *Foreign Office, March 31, 1911.*

I AM directed by Secretary Sir E. Grey to acknowledge the receipt of your letter of the 23rd ultimo, relative to the question of the construction railways in Persia.

I am to inform you, in reply to the enquiry contained in the paragraph of that communication, that Sir E. Grey would deprecate an application to the Persian Government for a railway concession either by your company, or by anyone else at the present moment, but that he will not lose sight of the assurances conveyed to the company in previous letters from this Office with regard to this question.

I am, &c.
LOUIS MALLET.

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PART I.

EASTERN DEPARTMENT:

SECRET SERIES.

January to March 1911.